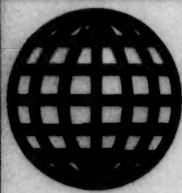


JPRS-CAR-050
21 October 1994



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CONTENTS

21 October 1995

INTERNATIONAL

United States

- Journal on U.S. Post-Cold War Non-Proliferation Policy [XIANDAI GUOJI GUANXI 20 Jul] 1

ECONOMIC

National Affairs, Policy

- Article Views Heating Up of Inflation Debate [GAIGE 20 Jul] 4
Report on Public Endurance of Economic Reform [GAIGE 20 Jul] 10

Provincial

- Hebei Reports Growth in First Six Months [HEBEI RIBAO 22 Jul] 15

Finance, Banking

- Banks Delay Account Settlement [JINGJI RIBAO 4 Aug] 17
Article Views Enterprise Social Security System [CAIZHENG YANJIU 5 Jul] 19

Industry

- Output of Main Chemical Products in September [CEI] 26
Output of Major Mechano-Electronic Products in September [CEI] 26
Prospects for Textile Machinery Industry [JIDIAN RIBAO 26 Aug] 26
Strategy for Textile Enterprise Group [JIDIAN RIBAO 26 Aug] 29

Foreign Trade, Investment

- Economic Journal Views Clinton Trade Policy [SHIJIE JINGJI 1 Jun] 30
MOFTEC Daily Series Views Antidumping Issue [GUOJI SHANGBAO 9-13 Jul] 33
MOFTEC Daily Views Anti-dumping, II [GUOJI SHANGBAO 14, 15, 17, 20 Jul] 37
Further on Anti-dumping, III [GUOJI SHANGBAO 22 Jul, 2 Aug, 3 Aug] 42
MOFTEC Official Views U.S. Antidumping Cases [GUOJI JINGMAO XIAOXI 27 Jul] 44
Yunnan Trade Company Profiled [YUNNAN RIBAO 7 Jun] 49
Sichuan Official on Foreign Investment in Basic Industries [SICHUAN RIBAO 9 Aug] 50

Labor

- Article Outlines Wage Adjustment Trend [ZHONGGUO XINXI BAO 5 Aug] 53

Population

- Causes, Effects of Lopsided Sex Ratio [SHEHUI Jul] 54
Reform of Household Registration System Urged [FAZHI RIBAO 22 Aug] 55
Four Major Population Problems Identified [NINGXIA RIBAO 8 Aug] 56
Socioeconomic Consequences of Negative Population Growth [RENKOU YU JINGJI 25 Jun] 57

Agriculture

- Livestock Industry Output in 1st Half of 94 Reviewed [ZHONGGUO XINXI BAO 8 Aug] 60
Vice Minister Interviewed on Cotton Production [JINGJI RIBAO 30 Aug] 61

Sugar Output Declines by 1.7 Million Tons [XINAN JINGJI RIBAO 5 Sep]	62
Zhengzhou Grain Market Achievements [LIANGSHI JINGJI YANJIU Apr 94]	63
Liaoning Reports Major Farm Product Prices [LIAONING JINGJI RIBAO 17 Sep]	65
Shandong Farmer Income Increases in 1st Half of 94 [ZHONGGUO XINXI BAO 5 Sep]	66
Sichuan Increases Production of Livestock [XINHUA]	66
Study To Improve Agricultural Production Capacity [GUANLI SHIJIE 24 Jul]	66
Arable Land Problems and Countermeasures [NONGMIN RIBAO 19 Aug]	76
North Korea Reopens Port to Jilin Corn Exports [JILIN RIBAO 16 Sep]	77
Views of 'Economies of Scale' in Agriculture [JINGJI RIBAO 30 Aug]	77
Hubei Cotton Procurement [NONGMIN RIBAO 10 Oct]	79
Sichuan Sets Goals for 1995 Crop Area, Output [SICHUAN JINGJI RIBAO 8 Oct]	79
Hebei, Yunnan, Fujian, Hubei Estimate Grain Output	79
Hebei Crop Output [NONGMIN RIBAO 14 Sep]	79
Yunnan Crop Output [XINAN JINGJI RIBAO 21 Aug]	79
Fujian Grain Output [ZHONGGUO XINXI BAO 5 Sep]	79
Hubei Crop Output [HUBEI RIBAO 16 Sep]	79
Ningxia Autonomous Region Sets Vegetable Prices [NINGXIA RIBAO 1 Sep]	79
Heilongjiang Holds Grain Work Conference [HEILONGJIANG RIBAO 9 Oct]	81

MILITARY, PUBLIC SECURITY

Public Security Ministry Establishes Office [RENMIN GONGAN BAO 6 Aug]	82
Minister Tao Siju Speaks at Security Conference [RENMIN GONGAN BAO 23 Aug]	82
Militia Must Better Adapt to Changing Circumstances [NINGXIA RIBAO 5 Sep]	83

PRC MEDIA ON TAIWAN AFFAIRS

Economic Revitalization Plan Seen as Difficult [Hong Kong CHING-CHI TAO-PAO 22 Aug]	84
---	----

TAIWAN

Article Criticizes Taiwan Value System [TZULI WANPAO 28 Aug]	86
Newly Appointed Election Commission Chairman Profiled [TZULI WANPAO 31 Jul]	87
Interview With KMT Gubernatorial Candidate [HSIN HSIN WEN 30 Jul]	88

HONG KONG, MACAO

Article Views PWC Performance, Prospects [KUANG-CHIAO CHING 16 Jul]	91
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United States

Journal on U.S. Post-Cold War Non-Proliferation Policy

94CM0398A Beijing XIANDAI GUOJI GUANXI
[CONTEMPORARY INTERNATIONAL RELATIONS]
in Chinese No 7, 20 Jul 94 pp 15-17

[Article by Wang Ling (3769 3781): "U.S. Post-Cold War Non-Proliferation Policy"]

[Text] I. With the Cold War ended, U.S. arms control policy has shifted to the prevention of proliferation of mass destruction weapons and missiles in the Third World. After the Soviet Union's dissolution, the U.S. has changed its defense focus from countering Soviet global threats to managing regional conflicts. While continuing to pay close attention to ensure that Russia live up to the strategic nuclear arms limitation treaty, eliminating the U.S.-Russian nuclear confrontation, the United State has pointedly emphasized the need to control proliferation of nuclear weapons in the Third World. In a speech on 13 July, 1992, President Bush noted "that the most pressing arms control mission should be keyed to the non-proliferation of weapons of mass destruction and their delivery vehicles." The term "weapons of mass destruction" refers primarily to nuclear weapons but also includes chemical and biological weapons and the like. The Clinton administration's nuclear nonproliferation policy is even more radical than the Bush administration's, and emphasizes particularly the seriousness and urgency of the issue. Addressing the U.N. General Assembly in September, 1993, President Clinton said: "The proliferation of weapons of mass destruction is a threat to security which the U.S. must seriously deal with in the nineties, and taking concrete steps to control the proliferation of these weapons is of the highest priority for the U.S. and is also in the most important U.S. national interest." U.S. Secretary of State Christopher also said: "Small-scale nuclear attacks by certain countries, unlike most other conflicts, pose a threat to U.S. security," [and] "this government therefore gives priority consideration to dealing with the nonproliferation issue."

The "nonproliferation" hue and cry on the part of important officials in U.S. political circles is based on the following reasons: 1) Recognition of the extremely serious situation created by nuclear proliferation. According to the U.S. Defense Department, more than 30 countries will possess or will come close to possessing weapons of mass destruction and missiles, and more than 24 of these are developing countries. Unless effectively controlled, these will constitute a grave threat to U.S. global strategic interests, and the United States must take every preventive measure to guard against such eventuality. 2) Recognition of the danger of "small nuclear wars" confronting the world. Some U.S. strategic experts consider that "nuclear war is a possible outcome of the intensely pursued and contested nuclear non-proliferation efforts." Their reasoning is that when the number of nuclear states increases, it inevitably will lead to lowering the nuclear threshold and

increasing the possibility of local regular warfare escalating into local nuclear conflicts. Therefore, post-Cold War, although the danger of a major nuclear war between the U.S. and Russia has been eliminated, but "if the nuclear weapons are in regions torn by ethnic, religious and resources disputes or should fall in the hands of irresponsible parties, the danger of local 'small nuclear conflicts' breaking out will increase." Particularly when some countries are striving to develop or acquire both nuclear weapon and missile capabilities, the situation is made even more serious. This, therefore, is "the foremost security issue that the U.S. must conscientiously address." (3) Concern over the chain reactions of nuclear proliferation. In addition to worrying about Third World countries in the Middle East, South and East Asia, the United States also cannot be too lax when it comes to Japan and Germany, for these two countries, although constrained by laws in their countries to abandon nuclear weapon development, have long since possessed the technological capabilities to produce nuclear weapons. The day when they consider their security threatened by countries on their borders, would very difficult to continue to keep them from pursuing the nuclear option, "which will certainly lead to major changes in the world power balance and which the U.S. certainly cannot afford to ignore or treat lightly."

II. The goals, missions and implementing measures of the Clinton administration's nuclear nonproliferation policy. To counter the threat which increases daily from proliferation of weapons of mass destruction, the Clinton administration is pursuing a "firm non-proliferation policy" with three main policy goals: 1) Strictly guard against losses of nuclear weapon stockpiles in the former Soviet Union area, and actively seek ways to reduce the strategic nuclear arsenal of Russia and to prevent Ukraine, Belarus and Kazakhstan from keeping their strategic nuclear weapons. 2) Actively prevent proliferation of weapons of mass destruction to countries in the Third World. 3) Ensure that the United States maintain "superiority in three areas," namely, of military technology, nuclear capabilities and high-quality personnel.

U.S. Arms Control and Disarmament Agency Director John D. Holum, in an ARMS CONTROL TODAY magazine article elaborated on seven U.S. nuclear nonproliferation missions: First, ensure the smooth extension of the "nuclear Non-Proliferation Treaty [NPT]"; second, seek the earliest possible conclusion of an international comprehensive nuclear testing ban treaty [CTBT]; third, take steps to further revise, improve and strengthen the "Missile Technology Control Regime [MTCR]"; fourth, strive to conclude an international agreement to prohibit on a global basis the production of weapon-grade nuclear fissionable materials; fifth, work toward the passage and coming into effect in 1995 of an international "Treaty on Chemical Weapons Control"; sixth, complete the work of building an organization to replace the "Paris Regime [presumably COCOM, the Coordinating Committee]"; and seventh, facilitate and assist in experimental research projects related to development of an "anti-missiles defense system."

To carry out the above-mentioned missions, the Clinton administration has taken a number of important implementing steps including: 1) Strengthening the organizational leadership for nuclear non-proliferation activities. A new position of Assistant Secretary of Defense has been established in the Defense Department responsible for nonproliferation and nuclear security matters, and the incumbent will report periodically to the President on "all activities concerning nuclear, biological and chemical weapons and missiles proliferation," and recommend appropriate counter measures. 2) Strengthening non-proliferation intelligence gathering. The U.S. Central Intelligence Agency under Director Woolsey has established a "Non-Proliferation Center" which utilizes various advanced techniques to strictly monitor and maintain surveillance over 75 types of weapon technologies and developments in 24 developing countries, with emphasis on such countries as North Korea, Iran, Iraq and Libya. (3) Strengthening the capabilities and functions of the International Atomic Energy Agency [IAEA]. The U.S. demands that the IAEA fulfill its responsibility for guaranteeing nuclear safety on the one hand, and assists that Agency to enhance its capability to monitor secret nuclear activities on the other hand, in order to strengthen the IAEA functions of supervision and inspection including inspection of the storage and production of nuclear materials and dismantling of nuclear warheads. (4) Enhancing the prestige of international treaties and agreements. Of the numerous international non-proliferation agreements and treaties, the U.S. considers the "NPT" which formally came into effect on 5 March, 1970 and the "MTCR" which came into effect in 1987 and subsequently amended to be of crucial importance. Regarding the former treaty, the United States is prepared to add to it inspection and control functions which will enhance its prestige and efficacy; as for the latter regime, the United States is now seeking ways to enlarge the MTCR membership, and to further revise, improve and enlarge its scope so that it will provide standard criteria for controlling exports of missiles and missiles technology which a majority of countries collectively can enforce. 5) Emphasizing utilization of the U.N. and coordination of positions between the Western Allies and Russia. The U.S. Arms Control and Disarmament Agency is actively consulting with countries such as France and England, and urging them to match or support the U.S. efforts to bring about the unconditional and indefinite extension of the NPT early next year. After consensus among the Western nations is achieved, each nation is to deal separately with developing countries seeking to persuade the non-NPT countries such as India, Pakistan, Ukraine and Belarus to change their attitudes about accession to the treaty. While the U.S. is still guarded about Russia, on a number of issues such as preventing proliferation of missiles and weapons of mass destruction, prohibiting production of nuclear fissionable materials and increasing the degree of transparency in military armaments, the United States and Russia have common interests and needs. Both sides are now engaged in close consultations. (6) Accelerating development of an "Anti-Missiles Defense System." Although the Clinton

administration has announced that the "Star War" era is over and the Reagan era's "Strategic Defense Initiative" ended, but to ensure security of the U.S. and its allies, and to protect their overseas interests, the United States nevertheless continues to pursue the development of an "anti-ballistic missiles defense system." In the plan, the United States has only given up the deployment of weapons in outer space, but the emphasis is still on developing a basic anti-missiles defense system. This year, the United States has already completed 15 experimental projects on interception, monitoring and tracking technologies. The Pentagon is cooperating with Russia to jointly develop certain projects for an "anti-ballistic missiles defense system." At the end of this year, the Russian rocket-launched "Jumper" satellite will be utilized to test the capability of using an ultra-violet rays monitor to track enemy's missiles. In developing this defense system, the United States has proposed to reinterpret the "U.S.-Russia anti-Ballistic Missile Treaty" signed in 1972. Russia has responded positively. The two countries have initiated contact at the experts level. As for Russia's last November public renunciation of the "no first-use of nuclear arms" principle the former Soviet Union promised to observe, the U.S. has made no comments, maintaining an equivocal attitude.

III. New developments in the contradiction between the United States and certain Third World countries on the nuclear nonproliferation question. Certain Third World countries are the main targets of the U.S. nonproliferation policy. Further, there are two sides to the U.S. nonproliferation policy: one is to prevent the proliferation of weapons of mass destruction which bring disasters to mankind, to prevent regional conflicts and to maintain world peace; the other is to promote a "new interventionism," to restrain developing countries from developing their military strength and to reinforce the U.S. nuclear supremacy by maintaining its position as the "sole superpower" in global military affairs. This certainly brings forth opposition and resistance from the developing countries. At present, the struggle against this type of dominance and control is manifested in three ways:

First, the issue of unfairness in treaties and protocols. Take the "NPT" as example, the obligations it imposes on nuclear states and non-nuclear states are not equal, and the treaty's primary emphasis is on prohibiting non-nuclear states from developing or acquiring nuclear weapons, forcing them to give up the nuclear option, and requiring them to take on obligations which far outweigh their rights and benefits. And the treaty lacks any forceful means to compel nuclear superpowers to take on the tasks which are rightfully theirs of reducing nuclear armament and stopping nuclear weapons development. The treaty does not require nuclear states to guarantee the security of non-nuclear states or to refrain from deploying nuclear weapons in the territories of the latter states. The unfairness of the "MTCR" is even more glaring. The objective of the regime is to control the proliferation in the Third World of missile technology and missiles capable of delivering weapons of mass destruction. But missiles are not the only delivery vehicles for these weapons, for there are

high-performance long-range fighter aircraft which the regime does not include within its control parameters. For examples, the U.S. F-15, F-16 and F/A-18; France's Mirage 2000; Russia's MIG 29, 27, and 25; and the "Tornado" aircraft jointly produced by Britain, France and Italy. Western nations such as the U.S. know very well that developing countries do not have the capability to produce this type of high-performance fighter aircraft, and they can therefore export these in large quantities and reap huge economic profits. Among international treaties and regimes, developing countries are most sensitive about the imposition on them of unfair rules and requirements colored by big power politics.

Second, the issue of double standards. On the matter of nuclear weapons, Israel is generally known to be the only country in the Middle East that possesses nuclear weapons, but Western countries not only refrain from acknowledging this fact, but continue to provide the Israelis with technological assistance. As for countries such as Iran, Iraq and Libya, the West not only takes a stern posture but insists on applying control measures. When it comes to the transfer of missiles and missile technology, the United States, citing "nuclear non-proliferation" as the reason, insists firmly on the prohibition of such transfers to South Asia, Middle East and the Persian Gulf states. But citing another reason of "strengthening defense cooperation," the United States openly transfers the Trident-II missiles to Britain, enters into cooperative research with Israel to develop the "arrow-type" anti-missile missiles; assists the Republic of Korea in the research and development of a missile with a 300-kilometer range, etc. The United States has forced Russia to stop supplying India with low-temperature rocket launchers, but the United States itself transfers to France the same technology, and accedes to France helping Germany build an experimental facility to test liquid oxygen launchers. From this it can be seen that the "MTCR" only controls horizontal proliferation, but not the vertical proliferation of these weapons and technologies among the Western countries themselves. This kind of action is like "allowing the officialdom to start fires but denying light to the citizenry at night," and it generates much dissatisfaction among many developing countries.

Third, the issue of "NPT" extension. The prescribed 25 years in which the Treaty is in effect will end in March next

year. The United States, Britain, France, Russia and others have clearly called for the unconditional and indefinite extension of the Treaty. But a majority of non-NPT countries argue that any extension of the NPT should be tied to the conclusion of a CTBT, and call for completing the CTBT talks before 1995. Countries such as Indonesia have clearly indicated that "without significant progress in the CTBT talks, if the NPT is extended indefinitely, it would be unfair to medium-sized and small nations which will be required to give up the nuclear development option forever." Mexico has also noted that "if nuclear states do not give up nuclear weapon development and do not conclude a CTBT, it would be difficult to expect other countries to give up the nuclear option." Countries such as Argentina consider that "the NPT is biased in favor of maintaining the interests of a small number of nuclear states, and in practical terms, the obligations on non-nuclear states far outweigh their rights and benefits. And international supervision in reality is but 'big countries supervising small ones, the powerful supervising the weak,' and the extension [of the NPT] will make no substantive difference." There are still other developing countries which emphatically stress that "it is necessary to prevent big nuclear states from taking advantage of any non-proliferation regime to dominate the world." It would appear that the struggle between the North and South over the "non-proliferation" issue is complicated indeed.

Fourth, the U.S. "non-proliferation strategy." Not long ago, the U.S. Department of Defense spelled out a new "non-proliferation strategy." In that strategy, the U.S. will not simply rely on the traditional arms control and disarmament treaties and protocols to control or block the proliferation of missiles and nuclear weapons, but that the U.S., as required by exigencies, will use military means to enforce the "non-proliferation policy." The elements of the new strategy emphasize taking preemptive actions, accelerating development of high-grade and new technological weapons, and on the matter of proliferation of nuclear weapons and missiles, the United States retaining its "options to act" including if necessary the resort to military force. Implementation of such a strategy will undoubtedly exacerbate the contradiction between the United States and certain Third World countries and lead to increased tension in the world.

National Affairs, Policy

Article Views Heating Up of Inflation Debate

94CE0713A Chongqing GAIGE [REFORM] in Chinese
No 4, 20 Jul 94 pp 103-109

[Article by Yang Fan (2799 1581): "Ins and Outs of Debates on Inflation"]

[FBIS Translated Text] A notable rebound appeared after China's economic three-month long retrenchment which began in November 1993. Bank loans were relaxed since October. At the end of the year, there was panic buying of grain and gold. After the merging of the dual exchange rates at the rate of US\$1 to 8.7 yuan Renminbi, the prices of imported goods rose. The forward price of rolled steel in January increased from 3,000 yuan to 4,000 yuan per ton. An incipient sign of inflation appeared in the society. From January to February 1994, the nation's index of retail sales rose 20 percent, and the living index of residents in 35 large and medium-sized cities increased more than 25 percent.

Since March 1994, the central government had adjusted the principle of "quickening the pace in carrying out reform and development" as proposed by the RENMIN RIBAO New Year's Day editorial; and stressed the need to link economic reform and development with stability. It also adopted a series of price control measures such as selling more grain to curb grain price, postponing price reform and conducting major price check-ups.

Since this April, debates among theoreticians in China which last more than one year on the economic situation in 1994, particularly on the issue of inflation, had once again flared up. The debates have become even more fierce than ever before.

How To Assess Last Year's Macroeconomic Control?

On the question of whether China's economy is overheated or not, views are different. Many economists say that economic overheating is dangerous, while others disagree. For example, Yu Guangyuan pointed out: "The word overheating cannot stand deliberation. There are only two meanings for the word heating. One is enthusiasm in construction. In this sense, there exists no question about overenthusiasm. The higher the enthusiasm, the better it will be. Another meaning is headcold fever. We must control it even if it is not serious. We should not only try to control excessively high fever. Therefore, the concept of overheating is groundless." He also said: There are problems in the term "ultra high-speed." No matter how high the speed is, even if the speed is the highest in China's history. There is no term called "ultra high-speed" in reality, because "ultra high-speed" is the speed which goes beyond reality. If we have something like this in our daily routine, it is definitely not "ultra high-speed." As far as a production enterprise is concerned, there exists a question of premature exhaustion of resources as a result of paying attention of the production speed before our eyes only without considering our situation in the supply of

resources. However, as far as the entire national economy is concerned, this kind of situation should not exist. Tong Dalin said: "People in North China are unable to stand heat, but they are not afraid of cold. On the other hand, people in South China are unable to stand cold, but they are not afraid of heat. If we talk about economic overheating everyday, would foreigners dare to invest in China?" (Footnote 1: "References for Economic Studies", Issue 3, 1994)

It was not until the central government decided to exercise the macroeconomic control in July that views on the economic situation were temporarily unified.

In view of the lessons drawn from the past experience in carrying out improvement and rectification from 1989 to 1992, nearly all the economists from the central government down to all economic organizations unanimously pointed out that the macroeconomic control this time is not aimed at "carrying out improvement and rectification" but at "making some micro-adjustments," and trying to gradually reduce the speed in the development of the economy and make a "soft landing." Li Yining said: "We cannot make the whole country take medication just because there is illness in one location only. China's inflation is peculiar one which differs from that in Western nations. The root cause of China's inflation is the system of planned economy (Footnote 2: NEWSPAPER and MAGAZINE DIGEST FROM CHINESE COMMERCIAL TIMES, May Issue of 1993).

Theoreticians differ in their views on measures to exercise macroeconomic control. Although it is admitted that results have been attained in exercising macroeconomic control by mainly placing the bubble economy under control and preventing the renminbi from devaluating and the commodity prices from quickly rising, there are many criticisms against the large number of administrative measures taken. Some theoreticians believe that China is going back to planned economy. Moreover, large- and medium-sized state-owned enterprises have rapidly found themselves in a tight corner. Cries against macroeconomic control have become louder and louder since August 1993. One of typical gatherings was the "Symposium on China's Current Situation and Issues in Deepening Reform" held in Beijing at the end of October. Some 100 scholars in the field of economics attended the symposium in which some of them believed that "in the course of a new system replacing the old, certain chaos in economic order are inevitable. There are good reasons to promote development. However, the most important issue in our economic life today is how to build a modern enterprise system as soon as possible and prevent the outmoded system from staging a comeback in different forms while we strengthen our macroeconomic control."

At the symposium, some people said that China's economy is not "overheated in two areas." It should be accelerated in two aspects. That is, we should accelerate the reform program and our development (Footnote 3—Report in NEWSPAPER and MAGAZINE DIGEST in September 1993 by reporter Shao Yanfeng).

Under the pressure of various departments, the Central Bank released a large amount of base currency between September and November 1993 totaling 120 billion yuan, and raised the limit of its loans from 380 billion yuan to 450 billion yuan per year. In fact, it extended loans with the total amount reaching 484.8 billion yuan. The speed of industrial production in state-owned enterprises dropped to 6.8 percent in September and to 3.6 percent in October. It rose to 5.6 percent in November and 13.9 percent in December. Dai Genyou, deputy director of the Comprehensive Department of the Central Bank, gave positive appraisal to these signs. He pointed out that the potential growth rate of state-owned enterprises is 16 percent. The easy money policy has averted a serious economic recession. The increase in the base currency will not create a major problem as long as the total amount of credit is under control (Footnote 4—Beijing Market Research Institute "Financial Gold Book" dated 8 April 1994). However, critiques pointed out that the practice of issuing more base currency on the one hand and that of controlling credit by making "spot loans" on the other are self-contradictory. It will affect the efficiency in allocating financial resources. This practice should not be used on a long-term basis.

How to handle the relations between reform and inflation?

The RENMIN RIBAO turns the slogan of "acceleration in two aspects" as the guiding principle in the field of economics during 1994. This principle was accepted by the majority of people at that time, because it avoided the debates on macroeconomic control and placed emphasis on reform. Both the government and the public basically reached a common understanding that it was impossible to solve economic problems in depth by exercising macroeconomic control and that it was necessary to quicken the pace in carrying out reform in the course of exercising macroeconomic control. Thus, at the end of 1993, the debates and propaganda work on reform had covered up the disputes on macroeconomic control among scholars in the field of economics.

At that time, only a few people had reservation on the aforementioned principle. Du Rensheng pointed out that as for development and reform, there are good reasons to carry out development. However, sometimes development needs to give the right of way to reform. In certain years, there is a need to slow down our pace. Wu Jinglian said that development should give the right of way to reform, if there is conflict between development and reform. Li Xiaoxi pointed out that the policy of pairing the two in 1994 is to slow down in development while quickening our step in carrying out reform. On the ASIAN-PACIFIC ECONOMICS TIMES dated 28 November 1993, I myself wrote an article under the caption of "Tighten Up the Economy, Quicken Step in Reform", saying that to carry out reform and promote development simultaneously may touch off inflation. The situation is different after 1992. Only by tightening up the economy, can we carry out reform and solve economic problems in depth. Many new situations indicate that it is difficult to carry out reform under inflationary conditions.

To quicken our step in simultaneously carrying out reform and development, while trying to tolerate inflation to a certain extent was one of the characteristics and advantages in the past 15 years for the gradual implementation of the reform program. Many people believe that reform inevitably touches off inflation, while development also generates inflation. Therefore, to carry out reform under inflationary conditions is normal. As long as it is not runaway inflation, there is no need to make a fuss. Nor should we miss the opportunity to carry out development and reform, because we are afraid of inflation. To carry out reform while we tighten the economy is "shock therapy" for a society under tremendous shock. We should continue to carry out reform gradually. We have to pay a price for this by suffering from inflation to certain extent. It is something unavoidable.

If we seek to avoid serious inflation in the course of carrying out reform, we must inevitably revise our ideas on reform. Some of economists such as Li Boxi and Zuo Dapei pointed out that in a sense our present predicament is created by our ideas in the past on reform. We should conduct self-examination and revise our concept on how to gradually carry out reform. Market economy is an economy in which the supply always exceeds the demand. Those theoreticians in East Jiangsu who advocate the market economy invariably stress the need to tighten up the economy in the course of carrying out reform. In China, it is incorrect to link macroeconomic control and retrenchment with conservatism and to tie expansion with reform.

Which one of the two should be given priority? Economic growth or price control?

What is the focal point in exercising macroeconomic control during the first half of 1994 in which the inflation rate was 20 percent in January and February in 1994? Economists differ in their opinions on this question. Chen Daisun criticized the saying that "Only China's two-digit GNP growth rate is to my heart's content. The two-digit inflation rate is unimportant." Chen pointed out the need to pay attention to the sign of overheating (Footnote 5: Same as footnote 1). Sun Shangqing said that the focal point in 1994 is to curb inflation. Chen Bofu said that the central government should hold high the banner of combating inflation, while Qiu Xiaohua pointed out that in 1994, efforts must be strengthened first and later relaxed in exercising macroeconomic control. Ma Bin said that inflation is a formidable enemy of reform and development. Ding Gu pointed out that in carrying reform, it is necessary to stabilize the currency. Zhang Zhuoyuan pointed that controlling inflation is conducive to creating a better environment for reform (Footnote 6: second issue of GAIGE journal in 1994). At the meeting in analyzing and forecasting the economic situation for spring 1994 held on 14 April, the Econometrics Research Institute under the Academy of Social Sciences put forward, on the basis of the new guideline of "correctly handling relations in reform, development and stability" as laid down by the

central authorities, that the most important task in exercising macroeconomic control at present is to control inflation and maintain a reasonable balance between inflation and economic growth.

Li Yining had his own unique idea on the entire economic situation. He put forward the principle of "solving the problem of unemployment on a priority basis, while strengthening price control." His reason is that inflation has made most of the people's suffering. In general, no one will step forward to start making trouble. Those who are jobless have no income. They may possibly become a problem in society or an opposition political force. Lack of remedial measures will pose a threat to social stability. "If inflation becomes serious in the course of developing market economy, the government, in time of need, may adopt measures of adjusting wages or interest rates on the basis of indexes to gradually calm the social unrest. However, when the rate of unemployment is high, the government lacks effective measures to smother the dissatisfaction of the jobless people," he said. Li Yining also pointed out that fighting inflation may be given top priority under special conditions. However, the situation in 1994 is still considered general. That is, we should solve the problem of unemployment on a priority basis while stabilizing the commodity price. (Footnote 7: same as footnote 6)

Wu Jinglian disagreed with Li Yining on this. He believed that inflation harms whoever has money. However, its effects are different to people of different social strata. It harms the wage-earners in particular, but this social strata is one which stabilizes the society. We would rather subsidize large or medium-sized state-owned enterprises overtly, but we should not do so covertly. The kind of help given these enterprises in the form of negative interest rate is equivalent to making them "drink poison to quench their thirst." To solve the problem of unemployment by inflationary measures has already caused "stagflation" in Western nations. The Western countries have made correction in this connection. Wu Jinglian was also opposed to linking inflation with reform. He disagreed with the saying that reform will definitely touch off inflation and that to avoid inflation, we must slow down our pace in carrying out reform. He believed that the current inflationary pressure is accumulated when the reform program was delayed and the economic growth accelerated in early 1990's. As long as the supply and demand of currency are not excessive, price reform will not cause the general level of price to rise (Footnote 9: 1994 issue 2 of journal GAIGE) [as published—Footnote 7 precedes Footnote 9 indicating a variation in sequential order]

The Report on Government Work passed by the NPC and a large number of economists regard a 10 percent economic growth rate, a 20 percent investment growth rate and an inflation rate of less than 10 percent as acceptable. Nevertheless, the economic growth rate will still reach 13 percent and the inflation rate may possibly reach 15 percent in 1994. Most of the economists were not so sure whether or not we should take actions to reduce the speed in developing our national economy. In general, they only

called for efforts to pay full attention to inflation and make micro-adjustments. Facing a difficult choice, the central government then adopted administrative measures to conduct check-ups on market price. Either in theory or in practice, the issue concerning the relation between inflation and economic development was not further scrutinized.

Due to the fact that there is no social security system at present, the loss-incurring large and medium-sized state-owned enterprises need bank loans to pay their workers. They also cannot declare bankruptcy. Dead loans become heavy burdens on banks. Therefore, they cannot assume sole responsibility for their losses and profits and transform themselves into commercial banks. On the question of whether or not the inflationary measure can still be used in dealing with loss-incurring large and medium-sized state-owned enterprises, more and more economists believed that it is necessary to quicken our pace in carrying out enterprise reform and that we must not allow the losses suffered by those large or medium-sized enterprises to ruin our entire economy. They said that the problem of unemployment should be solved by using the social security system and that we should not increase the speed in developing the economy and suffer from inflation simply because we want to solve the unemployment problem. Other economists believed that we should gradually reform the large and medium-sized enterprises so as to prevent unemployment from undermining social stability. On this issue, some people pointed out that it takes too much time to establish the social security system. They suggested to auction off some state-owned enterprises to make up the pension funds for workers; to rapidly build the social security system; and to transform large and medium-sized state-owned enterprises. Financial means must be used to solve problems of a structural nature including state-owned enterprises and unemployment. Under no circumstances should monetary means be used to control the total supply and demand.

On reasons for inflation and measures to curb inflation.

At the "meeting to analyze the spring situation" held on 15 April 1994, the Econometrics Research Institute under the Academy of Social Sciences listed the 11 reasons for the creation of inflation as adjustment of price structure; friction between restructuring and change of the way enterprises operate; marketization of production factors; establishment of contacts between the domestic economy with the world economy; excessive investment, increase of currency in circulation; faster revenue growth than productivity growth; price increases by enterprises for more profits; financial deficit; residents' psychology for inflation; and poor management (Footnote 10: minutes of the Academy of Social Sciences meeting to analyze the spring situation dated 15 April 1994).

Fan Gang, Zhang Shuguang and Wang Limin pointed out that we can list many reasons, but the most fundamental one is the increasing demand—mainly the investment demand and the demand for consumption with public

funds. There are no fundamental changes in China's economic mechanism. There are soft budgetary restraints and excessive competitions for investment among state-owned enterprises. In 1992, the central government delegated the power of examination and approval of investment and that for direct financing to the lower level. This has brought about the increase of local investment. Therefore, we should use administrative means to control state-owned enterprises, while exercising normative control over popularly-run enterprises after we adopt flexible measures in dealing with them. In exercising macro-economic control, we should always make a distinction between the two. We may call this procedure as a "dual control" system (Footnote 11: a thesis of the symposium in the study of issues on macro-economic control and economic stability held in August 1993). Fan Gang defined the total demand as "the general scale of the actual demand for the purchase of economic goods during a specific economic period or the general scale in actual use." He also said that the social purchasing power should include the total amount of currency in circulation, the total amount of loans used in the form of virement and means of non-banking credits such as the white IOU's and chain debts (Footnote 12: LILUN DONGTAI [TRENDS IN THEORY] published by the Central Party School on 30 March 1994).

Wu Jinglian emphatically pointed out that inflation is mainly caused by the excessive currency in circulation. All other reasons are indirect ones. He advocated Friedman's proposal to implement a stable and relatively tight money policy. Those who disagreed with Wu Jinglian attributed inflation to other factors such as cost expansion and chaotic management. They advocated comprehensive measures to curb inflation.

Liu Yingqiu believed that the root cause for the waves of investment expansion is the economic structure itself instead of the diversification of major investors. All these factors such as the "soft budgetary restraints" to state-owned enterprises, the implementation of the contract system, the decentralized management of investment scale by administrative means, the evaluation of local officials on the basis of the local economic development and the rapid growth and high efficiency of nonstate-owned enterprises and so on are reasons of a structural nature for investment expansion. To rectify this situation, he called for efforts to reform the system in managing state assets, establish new-type relations between ownership and management of state assets and control the amount of investment funds by adjusting interest rates instead of using administrative means.

Chen Dongqi believed that price hikes are not equivalent to inflation. Price hikes in China are mainly caused by non-monetary factors. These factors are as follows: (1) Economic elements are marketized, and residents have psychological expectations. (2) Various localities compete with one another in pricing. In some localities, the procedure of pricing is monopolized and disorderly. He said that efforts must be made to strengthen non-monetary measures for price control and break down the monopoly in

price making in order to stabilize the market at present. These are hard measures. Soft measures of a structural nature such as making micro-adjustments of the total supply and demand may also be adopted (footnote 13: same as footnote 10)

On capacity to endure inflation and on connection between inflation and wage and price hikes.

Everyone admitted that we should endure a certain degree of inflation. However, what is the limit? It is estimated that we can endure inflation between 10 and 20 percent. Theoreticians who opt to give top priority to economic growth prefer to use relative, not absolute criteria in examining the issue of inflation in close connection with economic growth. Inflation is acceptable if it is synchronized with economic growth and revenue increase. In 1993, the commodity price rose 13 percent, the rate of economic growth was 13 percent, and the actual income increased by 10 percent. This is normal. Some people say that the lowest income of the lowest wage earners instead of the average income should be used as an criterion in judging our endurance to inflation. Others define the endurance to inflation as a criterion used by the leadership at the highest level in judging the pressure from social instability caused by inflation—the pressure which will force them to change the otherwise unchangeable economic policy.

Their opponent Zuo Dapei mentioned the "natural rate of growth," proving that as long as economic growth exceeds the objective law—the natural rate of growth, commodity price will grow faster than the economy. On the basis of my past experience in working for the central government for several years, I must remind everyone that we should not readily believe in statistic figures, he said. China's figures on commodity price are lower than the actual rising prices. The reported rate of growth is often bloated or false. It is normal that the commodity price rises when the economy grows. However, the commodity price fails to drop when the economy declines. Actually it is impossible to achieve the so-called "synchronism between the economy and the commodity price."

Some people suggested that in order to promote development, we should not passively restrict inflation. Under the prerequisite of insuring high-speed economic growth, we should compensate those who suffer financial losses because of inflation. They are mainly depositors, creditors and wage earners. Thus, we may offer value-guaranteed savings, raise interest rates and make it a system to link the commodity price with the wage scale. Those who are opposed to this idea said that linking the commodity price with wage will make the wage, the price and the interest rate all go up, creating a vicious cycle. This will rapidly turn inflation into a malignant one. Moreover, what should the large number of peasants do? Unless it is absolutely necessary, we must not link the commodity price with the wage scale. Once we are forced to do so, it will mean the advent of a runaway inflation. (footnote 14: "Financial Gold Paper" by Beijing Market Research Institute dated 30 March 1994).

Li Laya criticized those who simply use political and social criteria to measure one's endurance to inflation. He pointed out that financial losses from inflation cause unfairness of social distribution. It makes some people "endurable." In addition, there is one more economical criterion—the "signal efficiency." Inflation which goes up and down creates false pricing signals and aggravates economic instability. As a result, enterprises and consumers are unable to work out correct policy decisions according to the pricing signal. This prevents the society from effectively allocating the resources. The whole national economy will undoubtedly become chaotic (footnote 14: "Financial Gold Paper" by Beijing Market Research Institute date 30 March 1994 [second footnote 14 as published])

On the essence of inflation.

More and more people have realized that the essence of inflation is the transfer of interest. Those who suffer losses from runaway inflation are mainly the large number of residents, while those who benefit are mainly those enterprises that are able to attain low-interest loans. Right now, it is hard to persistently exercise overall control. In addition to the fact that state-owned enterprises are beset with difficulties, there is also the factor of venture capital. Many state-owned enterprises and undertakings and even administrative units and banks transfer their funds of all types to Hainan and Beihai to buy and sell real estate and stocks. When the government exercises overall economic control, some people and units had got stuck with their stocks or land. Therefore, they went all out to oppose macroeconomic control, hoping that they would be able to rely on the "bubble economy" to reap staggering profits after the overheating of the economy. This is a special profit-motivated reason for advocating economic expansion.

On the essence of inflation, historian Xiao Gongqin expressed his unique point of view. He pointed out that members of the "soft political regime and profit-sharing groups" in China are using their own rare resources in their own hands such as power, money and so on to make profits in violation of laws and regulations. The cost shouldered by the profit-sharing groups in using their political privilege in exchange of benefits is far less than the average profit they would make through the market mechanism. They basically engage in speculation, form an exclusive bloc and make deals behind closed doors (footnote 15: Journal "Strategy and Management", second issue 1994)

I believe that in China, to reap staggering profits by monopolizing prices has already become the means used by various interest groups to seek gain and fight for resources, said Xiao. Runaway inflation is a sign of crisis in society. We should solve this problem by carrying out political and social reform instead of using the means of pricing, which is a weak spot in society. The central government should regard its anti-inflation policy as a long-term guideline and demonstrate its firmness in stabilizing the society. Otherwise, a sign of decline may appear in a prosperous society.

On the situation and counter-measures in the second half of 1994. The commodity price rose sharply in January and February 1994. Both the government and the people are worried about price hikes. However, the chained price index in March somewhat declined. The research institute of the State Planning Commission and other departments have regarded this as a sign of price hikes reaching the peak. Li Laya believed that the decline of the chained price index indicated that acceleration in price hikes had slowed down. It showed that the current economic situation is not so grim. A majority of people said that we must keep on exercising macro-economic control for several more months just like what we are doing right now. Meanwhile, we should pay attention to any change of investments and the chained price index; and make minor adjustments. The whole economic situation is changing for the better. We would consider our economic situation as a relatively better one. If we can make the price index decline every month and drop to 8-10 percent by the end of this year, and if we can control the annual price index to 13-15 percent and register an annual rate of economic growth of 10 percent and an annual rate of investment growth of 30 percent.

Objections from two different directions still exist. On the one hand, some people think that we cannot possibly fulfill this year's investment target of 1.3 trillion yuan. The total social supply has already exceeded the total social demand. We should adequately stimulate the economy. On the other hand, Wang Jian and others pointed out that financial reform may touch off inflation. There is already excess base currency in circulation in our country. However the money multiplier is only 2.5 due to the control of the credit line. Inflation will flare up if the reform of the banking industry is carried out, commercial banks extend their loans on the basis of the proportion of reserve against deposit (13 percent), and the money multiplier increases to 6-7. Therefore, in the course of carrying out financial reform, we must control the amount of currency in circulation.

Economists believed that the basic factors which would affect the 1994 situation are as follows:

- Overall speaking, the situation in 1994 is better than the corresponding period in 1993. The total demand has been somewhat curtailed, and the speed of price hikes has become slower. It is possible to keep the inflation under control.
- The effects in exercising macro-economic control are not so substantial. State-owned enterprises are beset with even more difficulties, and chained debts have re-surfaced. The inflationary trend which appeared at the beginning of 1994 was the sequelae of the high-speed economic growth in the past two years. We need to make readjustments. However, too many problems have piled up in China. It is relatively painful to make readjustments.
- As far as the mid-term is concerned, the problem of inflation has not been solved. In 1993, 40 to 50 percent

of the projects exceeded their budgets. There is no way we can retrench. The income comparing phenomenon still exists. Staff members and workers of various enterprises will compare their income with government employees. The mechanism of reverse flow of money is still functioning, and the central government can hardly control the currency in circulation. The aforementioned three micro-economic mechanisms will affect the macro-economic control.

—Right now, we should carry out macro-economic control as usual without any change and make adjustments gradually. At the same time, we should speed up our reform.

On administrative means and structure for price control.

The price check-ups in 1994 showed that administrative means remain useful in China. Particularly at a time when economic means cease to be effective and the macro-economic control is in a dilemma, the administrative means are still temporarily useful.

Experts of the planning and administrative departments proposed measures on how the government can control price under the new situation of market economy. They called for efforts to establish a system of keeping major commodities in reserve; set up funds for regulating grain and non-staple foodstuffs; improve laws and regulations on pricing; oppose monopoly, sudden huge profits and fraudulent practices; strike at sham and shoddy commodities; and provide information services.

As for whether or not there is any need to set up an institution for the control of commodity price, some people believed that we should have a state administration of commodity prices, while others said that the state administration of commodity prices is an institution aimed at fixing prices under the planned economy, and that it is up to the State Administration for Industry and Commerce to coordinate with other relevant departments to control commodity prices under the situation of market economy by combating monopolism.

Fan Gang put forward his unique "theory of dual-track control." That is to mainly use administrative means to control state-owned enterprises. However, it is necessary to decontrol and regulate those which are not state-owned. Both he and Li Xiaoxi disagreed with the practice of limiting the development of non-government financial institutions under the pretext of "rectifying the financial order" in the course of carrying out macro-economic control. Fan Gang said that as far as "borrowing money and returning loans" are concerned, non-government financial institutions have excellent records. In 1993, the non-government economic sector accounted for 57 percent of China's total industrial output and 70 percent in GNP growth, but its loans from the national banking system only accounted for 20 percent of the system's total amount of loans and its investment in fixed assets only accounted for 30 percent of the total amount of such investment. This

kind of disproportion in terms of investment and production output shows China's low efficiency in allocating its resources (footnote 16: "ECONOMICS NEWS" February 1994).

Noteworthy is the fact that the view which stresses the need to strengthen administrative control and planned economy has always existed. A "leftist" policy may prevail, if problems in the development of market economy such as inflation, unemployment, corruption and social disorder cannot be solved by economical and legal means and if the various interest groups in society cannot find out ways to rectify themselves. At that time, we will be forced to use administrative means to rectify the whole society, and we will have to pay an even greater price for this.

On greater efforts in studying economic theories and statistical indicators.

China has greatly improved its economical forecast after two years of debates on macro-economic control. As compared with this, our theoretical studies are notably lagging behind. Wu Jinglian pointed out that unanimity on a specific situation is only temporary. Due to the fact that we are lagging behind in the study of economics theories, we are unable to settle our differences on some in-depth problems such as inflation. This makes our policy lack of foreseeability. Only after inflation breaks out, can we adopt counter-measures to deal with it. Due to the fact that such counter-measures are usually too late, we often adopt imprudent measures to deal with such problems and become over-anxious for quick results. As a result, we have paid a high price in our economy. In the field of statistics, we are still using the indicators which we used in the days when we were promoting planned economy such as the similarity price index. Right now, other nations in the world determine the rate of acceleration on the basis of the annual chained price index. The practice of regarding price hikes as a factor to become cocky or a spontaneous factor is also outmoded. At present, 90 percent of commodity prices are determined by the market. As long as the demand exceeds the supply, all prices will rise spontaneously.

Li Laya studied the venture capital. He pointed out that in China, investments of 100 billion yuan are made in selling and buying stocks and another 100 billion yuan invested in selling and buying real estate. In 1993, funds of 50 billion yuan were tied up in commercial housing; and capital totaling 100 billion yuan, venture capital valued at 300 billion yuan and floating capital totaling 30 billion yuan were invested on the futures market and the foreign exchange market. This has increased the degree of uncertainty in China's economy, and made China's consumers and producers difficult to decide on what to do. Twenty-eight million stockholders are 28 million small economists. They even respond to any minor policy adjustment. The Venture capital has created a jump phenomenon in economic development (footnote 17: FINANCIAL GOLD BOOK by Beijing Market Economic Research Institute dated 8 April 1994).

The majority of people believed that Chinese economists' ideas and behaviors have become more complicated. China's department which exercises macro-economic control only pays full attention to the state-owned sector. State-owned enterprises are in a mess as soon as the control over them is lifted, and they only work in a mechanical way as soon as the control over them is tightened. In working out many policies, China's macro-control department has set up unrealistic pre-conditions and yielded to pressure from the local authorities and various departments. Being simple-minded, the department is unable to keep pace with the current situation. Due to the fact that a large number of scholars have "turned themselves into business professionals," theoretical studies in the field of economics have lagged behind. We badly need the support from the state, the enterprises and the international community. Theoreticians in the field of economics must also work harder than ever to competently satisfy our needs in dealing with the grim economic situation.

Report on Public Endurance of Economic Reform

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[Article by Lu Jianhua (7120 1696 5478): "How Great of a Reform Cost Can the Chinese Public Endure?"]

[FBIS Translated Text] The process of reform and opening that began at the end of 1978 has brought huge changes to Chinese society, the crux of which has been social progress. This report emphasizes an analysis of a crucial and pressing matter that is now facing the Chinese public: The changes in and limits of public endurance, with a faster pace of reform and a larger reform dynamic requiring a scientific understanding of this matter and corresponding technical means of dealing with it.

A host of facts prove that 15 years of reform, along with bringing significant social progress, have also accumulated certain severe social and economic conflicts in all social fields, some tending to sharpen, while others are even touching off a certain amount of conflict which, in the short-term is affecting the preservation of public order, economic development, and higher public living standards, while in the long-term forming severe obstacles to further reform advances. This report describes and analyzes the forms and consequences of these social and economic conflicts from the perspective of their public endurance.

Our Analytical Framework

The central idea of this report is "public endurance," meaning the capacity to endure the pressures of all social and economic conflicts, public structural factors, and their pattern of relations, while maintaining overall social objectives, preserving order, and making ideas conform to actions in all areas. A corresponding idea is "the pressures of social and economic conflicts" which, in this report, is a synonym for "the cost of reform." While this report is

unable to confirm a marked causality between "which conflicting pressures were touched off by reform per se," that the reform process has always been accompanied by the pressures of these conflicts is certainly an indisputable fact, which can be seen in detail as follows: 1. In all fields that reform has achieved significant success, there exist corresponding pressures of social and economic conflicts, which often appear simultaneously with the achievement of reform success; 2. In reform policy expectations, the pressures of these conflicts are held to be negative side-effects; 3. The pressures of these conflicts have a markedly disruptive impact on the intensification of reform. And it is only in these three areas that "the pressures of social and economic conflicts" equate to "the cost of reform." As to the subjects who endure these pressures, while being helped by reform success, they also are profoundly affected by the heavy burden brought by the pressures of these conflicts, which is precisely the focus of this report.

In this report, we place particular emphasis on the general characteristics of the public-endurance subjects, which are divided in detail into the following three categories:

1. The endurance of key social relations. This refers to the endurance of the relations among all component entity or nonentity factors in our immediate society, such as regional relations, administrative relations, system relations, and strata relations. It shows up as the degree of harmony and preservation of certain designated relations;
2. Public endurance, meaning the public standardization capacity in the areas of conceptual evolution, behavioral choice, and anticipated direction. As a key social-structure factor, public endurance shows up mainly as the capacity to standardize the conceptual conformity of groups or strata (nonindividuals);
3. The endurance of the public ruling structure, referring to the extent to which the existing power operation and administrative model can show the capacity to preserve social stability while promoting social development. The current concentrated expression of this capacity is that of the powerful administrative symbols and legal establishment to resolve existing social and economic conflicts, overcome, and even surmount crises.

Having analyzed much verified data, this report confirms that through 15 years of reform, Chinese socialism now shows a scene of vitality that is unprecedented in 4-plus decades. This is reflected in a concentrated way in all of the above three categories. Behind the key social relations, the old relations order is being broken, with urban-rural interflow up sharply, mobility among strata more frequent, and local and departmental autonomy sharply stronger. As to public ideas, behavioral levels, development space, and social activity are sharply expanded and increased, with pluralistic participation in all types of economic activities, entertainments, and pastimes, as well as moral tolerance, all up sharply. As to the public ruling structure, there is obviously more rationality, with the establishment of a system of multiparty cooperation, an orderly transfer of power, and a better division of power. This report notes

that the great vitality that reform has injected into society, or the sharply higher public endurance of those in the above three categories, in contrast to the pre-reform state of a highly centralized and rigid system, is much more resilient and sustainable. The current issue is, faced with the real pressures of social and economic conflict, how is their endurance?

This report sets forth the most basic yardsticks for measuring public endurance (with each yardstick having a corresponding specific index) as defending political power, preserving stability, and promoting development, with these three being in a progressive relationship, involving the order in all social fields and all links of operations. At all three levels, faced with the pressures of social and economic conflict, endurance shows a variability continuum from first "promoting development" to second "preserving stability" to finally defending political power," constituting the endurance-strength order. Of course, at each level, the particular substance of the variability continuum differs, particularly at the level of the conformity of public ideas and actions, where the basic meanings of terms, such as "development" and "stability" are expressed through specific categories, such as "profit-seeking," "current consensus," and "anticipated direction."

What Is Our Public-Endurance Status Quo?

1. The Endurance of Key Social Relations.

A. Central-Local Relations.

Our reform policy was based on stimulating local, departmental, and individual initiative. This choice was the inevitable one for breaking with the centralized system that we had been accustomed to for decades. The premise for bringing local initiative into full play was allowing localities to gain autonomous rights and expanding local administrative authority, the direct result of which was the ceding of a large piece of the Central Government's administrative authority. While this change was generally positive, a symbol of our ever-growing social vitality, it also began to bring out conflicts and their pressures, with the corresponding frictions sharpening steadily in recent years to the point where they have posed the issue of endurance in existing central-local relations.

This report holds that the conflicting pressures confronting this relationship are rooted in the redistribution of economic interests and the recarving up of administrative authority. It has already spread to central-local dissension in social, economic, and political policy and policy application, with the areas of resolving the differences and preserving government-decree uniformity seeing the Central Government with ever-less room to maneuver and declining initiative and authority. There were two direct causes of this situation: 1. Local governments, having already profited a certain extent from the devolution of power, are not only unwilling to give it up, but want to expand it instead, which is more evident in developed coastal zones. And in underdeveloped and undeveloped

regions, local special issues (such as poverty, ethnic, and religious conflicts) are held to be bargaining chips for "haggling" or negotiating with the Central Government, with the interests expansion seen as discontent with the policy-preference disparity, as well as dependence on financial support by the Central government, in which process they are again unwilling to give up their expanded administrative authority. In short, "local autonomous rights" translates in a certain sense into "local autonomous rights in negotiations with the Central Government." 2. The Central Government's form of rule has changed little, with its major grounds in dealing with local relations remaining administrative means, while its legal and economic means are still imperfect. In particular, when localities make serious errors (such as investment overheating, unchecked wholesale leasing of land, excessive local trade protectionism, severe corruption among some officials, too heavy peasant burdens, and poor public security), the most effective control means that the Central Government can rely on are administrative means alone. The problem is that the old model of central-local relations is changing, leaving the effectiveness of such means down sharply, thus creating the passive Central situation.

B. Regional Relations.

The most important regional relations are now those among coastal developed zones, central-China less developed areas, and western undeveloped regions, with endurance reflected mainly in the ability to clear up existing interregional development gaps and their many resultant conflicts and frictions. The evolution of this terraced regional development order was subject to many social, economic, and cultural factors. As the Central Government's preferential policies for economic development of coastal zones were certainly not supplemented with corresponding measures for the economic development of our central and western regions, they have had the effect of "making the poor poorer and the rich richer." Even if the Central Government's tactic of "the rich helping the poor" could be implemented, it would still be necessary to fully consider the various complex consequences of the regional development gap, the crux of which is the degree to which all regions can endure the scope of this gap and its continuation. A host of facts show that while the Central Government has not yet implemented its "poverty-relief" tactic, all sorts of competitive relations and frictions among all regions are growing steadily. This can be seen mainly in: 1. The sharp rivalry over funds, talent, energy, and preferential policies; 2. The competition among all areas to apply regional protectionist policies, with mutual blockades, making it hard for a uniform market system to evolve; 3. In existing regional lateral economic alliances, the relations between the exploiters and the exploited are showing up in all forms, touching off much discontent and conflict.

C. Urban-Rural Relations.

Our traditional "dual urban-rural structure" is beginning to shake under the impact of the reform tide. While this

has gained new ground for reform endurance, it has also begun to show up certain new frictions and conflicts. Urban-rural relations are showing new factors of imbalance: The price scissors between manufactured goods and agricultural products are still growing, leaving farmers still in an unfair position; excessive assessments are resulting in peasant income growing far slower than that of city dwellers, leaving the gap between urban and rural living standards not shrinking; large numbers of rural surplus labor are being forced into cities and towns, having a severe impact on public order, with the spread by modern media means to the rural areas of urban lifestyles and values producing a severe imbalance in peasant mindset; the disparity in the enjoyment of social security services by urban and rural residents is showing a clear flavor of special privilege. All of these are posing a crucial test to the current tough order of urban-rural relations.

D. The Relations Among All Social Systems.

While economic reform has injected great vigor into our social and economic activities, friction between economic systems and between the economic system and other systems has never disappeared, showing up in detail in many forms: 1. In the reform process, all economic systems are seeing a situation of incompleteness and unsystematicness, often leaving systems ineffective or in disguised form, with enterprise system reform invariably limited by reform advances in systems, such as pricing, taxation, and investment. 2. The friction between our economic system and all social systems has become more glaring. Reforms of our social security, labor personnel, and administrative systems involve more noneconomic factors, which are steadily producing large amounts of conflict, with our current system seeming unable to resolve such conflicts, leaving them to steadily accumulate. Our most typical state enterprises are suffering from poor efficiency and large amounts of redundant personnel, with business managers hoping to get free of excessive administrative interference by government while being unwilling to break from the abnormal relations between their enterprises and the administrative sector.

2. Public Endurance.

A. The Public Endurance of Everyday Life.

Rising prices has always been one of the most sensitive issues reported by the public over the last dozen years or so, as well as the focus of public endurance of daily living pressures. Many polls shows that while the public has reached a better consensus about the inevitability of rising prices, the corresponding mindset of anticipation and fear is far from having dissolved. In fact, quite a few people have limited material means for enduring rising prices. Except for those whose incomes are growing faster, many are seeing their incomes fall. There is a huge number of them in categories, such as employees of inefficient enterprises, those who have lost jobs, retirees, those with unstable occupations, and the low income. While they have theoretically acknowledged the inevitability of rising

prices, their practical endurance is limited, intensifying their sense that their interests are being infringed on, thus engendering strong discontent.

In recent years, changes in the public endurance of rising prices have begun to be linked more to the public mindset and macroeconomic conditions, instead of being influenced purely by prices per se. This shows that daily living pressures and greater social and economic conflicts together are posing a severe test to public endurance.

B. The Public Endurance of the Declining Sense of Security.

Affected by the large amount of public disorder in real lives, the public sense of security is declining. While this declining sense of security is reflected in many cases as public inadaptability, psychological resentment, and even resistance to sharp change, the crux of it is the current severe public disorder, which creates tension in all relations in the daily living environment, putting pressure on public endurance (particularly psychological endurance).

Much data shows that the current declining sense of public security has spread to many aspects of social life: 1) The sense of personal and property security is declining, which is related to successive years of no basic improvement in public order; 2) The sense of income security is declining, showing up as instability of income sources and uncertain income value; 3) Employee security is down, meaning that employee mobility does not have the proper system guarantees, with chaos in employee prestige, hierarchy, and order; 4) Family security is down, meaning that the constancy of love and marriage are subject to unprecedented disruption, with the divorce rate rising daily; 5) The security of human relations is down, with severe interpersonal apathy, spreading social promise-breaking, and declining public morality leaving the public fully on guard in interpersonal intercourse; 6) Security in intergenerational relations is down, with intergenerational trust, hopes, and atmosphere weaker. All of these have a severe impact on the public's mode of thinking, behavioral customs, and psychological leanings, bringing less endurance. The feelings of discontent, impatience, and anxiety spread throughout all social strata, as well as certain quite sharp collective behavior and overstepping of bounds, all show that the declining sense of security is an immediate threat.

C. The Endurance of the Social Relations Among All Social Strata.

Since reform, the conditions and changes in social class and strata have been complex, with our traditional class-relations theory far from being able to explain such conditions and changes. At present, the relations among all social strata have broken free of the bounds of ordinary occupational (behavioral) strata relations, beginning to be sharply affected by composite social factors, such as cash income, social status, prestige, and powerholding. Much data shows that the most conspicuous focuses of the social relations among all strata are two: 1. Severe psychological and other forms of conflict between the high-income and

low-income strata are very prevalent. Ideas, such as "social justice" and "equality," have absolutely different meanings in these two strata, which also use their respective forms to promote sustained and intense mutual conflict. As to those in the high-income stratum, who have come to possess wealth through both legal and illegal means, they are full of self-confidence in their own quality, talents, opportunities, and even interpersonal resources, while having established an image of "injustice" among other strata. As to those in the low-income stratum, where breaking down this greedy order is the perpetual impulse, they proceed very little from purely economic factors in understanding the current economic success of the wealthy stratum, having a very contradictory mindset about the many legal and system measures to reconcile the social relations between rich and poor. So the threat of the high-income stratum toward the current social-distribution order, to the relations among all strata, and even to social stability, comes from their rational knowledge of behavior that undermines public "social justice" and "equality," while the threat of the low-income stratum emerges as disruptive actions and impermissible choices that could break out at any time. 2. Cadre-mass relations are also social relations where endurance is very limited, being reflected in the form of public acceptance or rejection of power and its use. In rural areas, issues over peasant matters, such as assessments, residence-base disputes, civil mediation, and economic affairs, always produce extreme cases; in cities, matters, such as income treatment, and cadre workstyle, are all sensitive triggers. On a higher level, the conflict in cadre-mass relations is indirect, reflected in macroeconomic matters, such as corruption, privilege, and workstyle, showing up as psychological pressure and emotional resistance among the general public; the conflict in grass-roots cadre-mass relations is of a face-to-face nature, being very sharp in degree and regional intensity.

3. The Endurance of the Public Ruling Structure.

A. The Operating Procedures and Rules of the Ruling Structure's Power.

Due to causes that are well-known to all, the Central Government's power operations lack the necessary restraint laws, so that unforeseen events often touch off widespread social unrest, leaving policies vacillating sharply. In addition, when all sorts of conflicts begin to surface, the necessary forces of compromise are also lacking, leaving the cost of conflicts and even clashes reduced to the minimum, enabling the public ruling structure to operate orderly and effectively. This has not yet been completely reversed, so that faced with ever more complex social and economic conditions, the Central Government's operating efficiency has not improved correspondingly. The problems in this area are concentrated in two points: 1. At the Central-Government level, power restraints and compromise forces have not been completely established, leaving irregular power operations still existing. While policymaking is more orderly [proceduralized], it has too little transparency, leaving all dissent and

suggestions without open channels. This makes the necessary restraints on power operations very hard to implement, rather long-delaying the establishment of rules for the operation of power. After decades, and facing a particularly complex public control mission, it is hard for the existing power structure to endure all sorts of irregular strife and power abuses, so that in designated conditions, the collapse of the structure per se would not be impossible. 2. In our whole society, the operating efficiency of organs of power in all fields at all levels is also declining. For instance, local governments are too slow in their pace of functional conversion, practicing too rigid business management; many rural grass-roots political organizations are either paralyzed or covered with patriarchal clan networks, so that phenomena, such as abuse of power, exploiting public authority for private interests, and corruption, are not rooted out despite repeated attempts. The direct cause of this situation is that administrative oversight by superiors of subordinates is slack, with oversight organs at the same level ineffective.

B. The Authority and Ability To Resolve Immediate Conflicts of the Ruling Structure Per Se.

In recent years, the government's ability to resolve all social and economic problems and conflicts has declined, leading to the regular appearance of "fire-fighting" actions in which, in whatever areas the more severe problems surface, "emergency intervention" steps are taken. For instance, as to crucial problems, such as crime, corruption, excessive peasant burdens, and economic overheating, radical cures are hard to effect, with the emergency steps taken being less effective each time. In another area, the dominant social values seem extremely weak in guiding the public, with many formerly effective mass mobilizations not achieving ideal results today. The factors determining the critical limits of endurance of the current ruling structure are mainly the objective changes in social and economic conflicts, not subjective efforts, such as "emergency interventions," and their hoped-for results.

C. The Relations Between Political and Technical Policymaking and Their Control Effectiveness.

In the operations of the public ruling structure, political policymaking refers to decisions grounded in a composite framework of all social and economic factors, while technical policymaking means those based on consideration of the various practical possibilities and specific steps involved in the application of certain policies. The harmonization of these two types of policymaking is premised on preserving the effectiveness of the public ruling structure as, if they are uncoordinated or even out of line with each other, not only does their effectiveness decline, but they might even cause the ruling structure per se to collapse. This is a matter of both endurance and limits. A review of the past 15 years shows that the major focus of political policymaking is undergoing a clear change, shifting from seizing opportunities, conforming to public opinion, and giving consideration to the interests of all parties to a framework of mostly maintaining the status quo. This

means that when proceeding with constructive policies, the time determination is difficult, which is caused by the criteria for judging the best time to put a certain policy into effect having changed, with these criteria at least no longer being mostly various technical terms, but rather having been replaced by the subjective need to maintain the status quo. So while many terms for policy advances may be met, dissension over the choice of time (mostly political considerations) postpones or stops the implementation of policy steps, thus missing the best time for advancing policy. This delay in political policymaking makes technical policymaking ever more difficult, turning social and economic conflicts that could have been resolved through quite simple technical decisions into more complex matters with an ever-growing scope of involvement. Many facts also show that the technical terms for resolving many problems and conflicts are still not met, as political policymaking takes precedence, with a hurried implementation of countermeasures, forcing technical policy measures to be revised in the implementation process, resulting in either twice the effort for half the result, or a large amount of leftover problems, or obstacles to further reform. Obviously, the lack of coordination between political and technical policymaking sharply lowers the effectiveness of the public ruling structure, putting ever-growing pressure on its endurance of all conflicts, with no self improvement, which is a matter of deep concern.

Conclusions

This report's basic conclusions are:

1. For quite a long time, the pressures of social and economic conflicts facing the key social relations, the public, and the public ruling structure will not ease, leaving public endurance to undergo a sustained and severe test. Changes in this endurance have had and will continue to have a direct impact on the achievement of our objectives of social stability, economic development, and modernization.

2. While changes in the endurance at the abovementioned three levels are inherently linked to interests gains and losses, the connection between ever-growing interests loss (or gain) and ever-declining (or ever-growing) endurance is certainly not a pure one. This is because it involves the two key variables of the size of operating space and the effectiveness of microeconomic adjustment forces, with the former referring to all component social elements, as to whether their operating scope is expanding, opportunities are increasing, and mutual links are more flexible. Obviously, reform has brought all social elements more operating space, opportunity, and flexibility. But while this has undoubtedly increased public endurance, the increase is not unlimited, even involving the potential possibility of interests loss. As to the public, while reform has provided unprecedented opportunities for individual or group development, these are risky opportunities, where too great a risk or even the possibility of no gain would mean interests loss. The current severe public disorder actually brings even greater risks to opportunities. This is a key

factor in the decline of public endurance, subjecting it to two pressures: 1. Direct pressure from economic, power, and order chaos; 2. Psychological pressure from the relative sense of being deprived [exploited]. When public interests loss becomes unavoidable, the public should be provided with more and newer opportunities as compensation. And while this is the only way to increase endurance, progress has obviously not been made in this area.

3. The endurance status quo of the abovementioned three levels needs differentiated:

A. The public ruling structure has the strongest endurance of the three, as it has a more stable organizational structure and system foundation, with the original intention of the reform policy being to strengthen this ruling structure. It has powerful administrative means (while declining in effectiveness) to respond as it wishes to social and economic conflicts. Moreover, it has the authority to interpret and control public opinion on reform, social development, and all conflicts, as well as being an expression of the state's legality. But the declining endurance of the ruling structure is also a fact: Intensified reform has already involved our social administration, organization, and power systems, with the difficulty in permanently resolving many social and economic conflicts related to this involvement, as well as to the ruling structure's lack of effective technical countermeasures; the degree of control of many reform side-effects is shrinking, with the frequent use of "emergency intervention" means causing much direct or indirect resistance, and the fear and insecurity over power and interests loss by government staff groups growing, making corresponding adjustments of organizational and system structures hard to effect; and it is growing ever-harder to harmonize the relations between resolving existing conflicts and proceeding with constructive policies, and between dealing with glaring crises and maintaining regular organizational operations... So while we say that the public ruling structure generally has the stronger endurance, its endurance could be most easily breached in two areas: 1. In the adjustment of rights and interests; 2. In the all-out intensification of objective social and economic conflicts.

B. Changes in the endurance of the key social relations depend on many factors. The endurance of all relations is certainly not the same, with the social consequences once their endurance is breached also differing, it being in more cases that tension and conflict in many social relations directly weaken endurance, posing mid and long-range threats to social development and stability. In addition, the possibility exists that direct social conflicts will be touched off in these relations, the most typical being large-scale mass transgressions and even riots. As to the endurance of the key social relations, the most likely problems would appear in central-local relations, with their impact on social stability being in the direct form. In this relationship, while administrative dominance is held by the Center, many social and economic conflicts make it very hard to bring this dominance into full play, with stronger local economic might in certain places, the

appearance of regional alliances, and the new trends of ethnic and religious issues posing tests of both form and substance for the former administrative relationship between the Center and localities, and the persistence in relying on administrative means to deal with these relations leaving both sides with ever-less room for maneuver. The crux of the matter is the degree to which the Central Government can "tolerate" local actions, and the extent to which local governments can "accept" Central administration, which becomes the key to the endurance of this relationship.

C. Public endurance is undoubtedly weakest. For quite a long time, income growth will coexist with heavier daily pressures, while gain from opportunity and imminent risk will also coexist. In many places, much of the public will lose more interests than they gain, which will touch off a chain reaction of the large-scale appearance of psychological confusion and all sorts of irregular impermissible behavior. While public endurance is now lowest, the possibility that endurance will be breached to touch off various collective actions is limited, with the impact on social stability and economic development not yet deteriorating, despite the decentralized nature and complex causes of such behavior making it very hard to use a single means to quell it. So we absolutely must not underestimate the farreaching impact on our social development prospects of a period of sustained public confusion. Public behavioral trends have become a focus of concern among governments at all levels, with the "no-accidents" concept being primarily that "the public not congregate and make trouble" in the minds of officials at all levels. This tension and vigilance per se constitute a certain pressure, forcing governments at all levels to consider public endurance as a variable before putting policies or measures (particularly those that affect the public's daily lives) into effect. This sometimes makes it impossible for mature technical policies to be put into effect, missing opportunities. While this is a forced option as to stability, it is certainly not the best one, as this variable is considered on the lowest level of "no accidents," making it very easy to mistakenly estimate public endurance. Furthermore, there are no corresponding follow-up methods (such as the granting of more opportunities or the use of certain technical means), so that once public endurance is raised to a certain stage, it is hard to raise it further, leaving it to weaken instead, and making the whole society too tense and sensitive. And once glaring incidents break out, it is hard to either keep them from touching off chain reactions or control them.

Provincial

Hebei Reports Growth In First Six Months

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22 Jul 94 pp 1, 2

[Article entitled "Hebei's Economic Situation Was Good In the First Six Months of the Year—GDP Rose 14.3 Percent Over the Same Period of Last Year, 2.7 Percentage Points Higher Than the National Average; Various Reform Measures Made Good Progress; the Economy and Society Showed Stability"]

[FBIS Translated Text] HEBEI RIBAO, 21 Jul—At this morning's press meeting on the economic situation, it was disclosed that so far this year, Hebei's macroregulation and control has continued to produce good results; various reform measures have made good progress; the economy has sustained a high rate of growth, while some of the problems that had emerged have gradually been resolved, and the overall situation has been good. Based on preliminary figures, in the first half of the year, the Gross Domestic Product [GDP] was 84.124 billion yuan, a 14.3 percent increase compared to the same period of last year based on constant prices. Specifically, the primary industry generated 13.345 billion yuan in output value, a 6 percent increase; the secondary industry added 48.283 billion yuan in output value, a 17.8 percent increase; the tertiary industry added 22.496 billion yuan in output value, a 12.3 percent increase. Nationwide, the GDP increased 11.6 percent over last year's; Hebei's increase was 2.7 percentage points above the national average.

Bumper harvest in the summer ensured steady rural economic growth. Since the beginning of the year, governments at all levels have been paying special attention to agriculture to ensure steady increases in the output of grains, cotton, oil, and other basic agricultural products. They have strengthened the "market basket" project and have introduced the necessary policies and measures to protect the peasants' enthusiasm, and the results have been outstanding. In addition, overall, the weather was good in the first half of the year, which guaranteed the steady increase in agricultural production. Data showed that the GVAO [Gross Value Agriculture Output] topped 22.62 billion yuan, a 12.4 percent increase compared to the same period last year. The mix of crops was heading in the high-yield, high-quality, and high-efficiency direction. We had a bumper crop of summer grain. Sample survey based on actual amount harvested showed the actual total output to be 9.2547 million tons (9.255 billion kilos), a 2.25 percent increase over last year, marking the second highest yield year in history. Total acreage of vegetables grown in large sheds increased from 300,000 mu last year to 800,000 mu this year; production was marked by high-yield and high efficiency. Livestock production increased rapidly; meat output came to 1.549 million tons, a 16 percent increase; fresh egg production came to 681,000 tons, a 36.2 percent increase; milk output came to 140,000 tons, a 29.1 percent increase. The province's leaders at all levels adopted strong and effective measures to implement plans to plant cotton; cotton production has turned around. According to data compiled by the province's cotton department, 6.7 million mu of cotton seeds were sown in the spring—including 2.66 million mu using a plastic ground cover; another 2.4 million mu was sown in the summer. Currently, the seedlings are doing well, and it is hopeful that we can reverse the downward trend in cotton production. In the first half of the year, the province's township enterprises generated 129.59 billion yuan in output value; a 63.9 percent increase over last year's; they generated 14.07 billion yuan in total profit, a 52.6 percent increase; they delivered 1.99 billion yuan in taxes, a 27

percent increase; 3.11 billion yuan's worth of export goods were delivered, a 51 percent increase.

Industrial production continued to keep up a high growth rate; overall economic efficiency improved each month. In the first 6 months, the province's industrial output at the township and higher levels grew by 18 percent, 2.2 percentage points higher than the national average. Industrial production had the following characteristics: 1. The rate of increase was accelerating: Province-wide, industrial output at the township and higher levels increased 13.5 percent in the first quarter, but the increase was 0.5 percentage points higher for the period from January to June, and in June, the growth rate was 16.4 percent. 2. Light industry was growing faster than heavy industry. In the first 6 months, light industry's output value grew 14.9 percent, 1.8 percentage points faster than heavy industry. 3. Non-state-owned industries were growing faster. Output value generated by collective and other types of industries increased 21.5 percent and 85.2 percent respectively, which were higher than the 4.5 percent rate of growth for state-owned industries. 4. State-owned industries' growth rate was recovering. In the first 6 months, the province's state-owned industrial enterprises generated 59.074 billion yuan in output value, 4.5 percent more than in the same period last year. Specifically, the rate of increase rebounded to 9.7 percent in June, fairly close to the normal growth rate. 5. Overall economic efficiency was increasing steadily. In the first 6 months, the ratio of industrial output to sales at the township and higher levels topped 93 percent, 0.5 percentage points above the national average. The composite index of economic efficiency for industries at the township and higher levels for the period January to May was 99.89 percent (including value-added tax,) 18.24 percentage points higher than in the first quarter. The composite index of economic efficiency for large and medium-sized enterprises was 114.13 percent, 14.24 percentage points higher than the province's average; they generated 73.3 percent of all profit taxes delivered by all industries. The composite index of economic efficiency for state-owned industries was 100.45 percent, 5 percentage points higher than collective industries. Heavy industry's composite index of economic efficiency was 109.1 percent, 27 percentage points higher than light industry's.

At the beginning of this year, for various reasons, the number of enterprises stopping production, partially shutting down, or losing money increased significantly. Since April, the province has launched activities to "take charge, help, and turn things around," and by the end of June, 42 fewer state-owned industrial enterprises have shut down in whole or in part. Between January and May, based on comparable calibrations, 401 of the 1,918 local budgeted industrial enterprises were actually incurring losses. This meant 20.89 percent of the enterprises, 11.34 percent more than in the same period of last year.

Sales of consumer goods in the market increased steadily. In the first 6 months, the province's retail sales of consumer goods was worth 28.48 billion yuan, 28.5 percent more than last year in the same period. So far this year, the

supply of consumer goods in the market has been plentiful; supply and demand were basically balanced.

Foreign trade increased steadily, and foreign capital utilization rebounded. In the first 6 months of this year, the province's gross export value topped \$1.134 billion, an 18.4 percent increase. Among its foreign exports, ordinary export trade generated \$978 million, a 26.8 percent increase; the three kinds of wholly and partially foreign-owned enterprises' exports generated \$133 million, a 1.9-fold increase. In the first 6 months, a total of \$220 million in foreign capital was put to use, a 16.5 percent increase. Specifically, direct investments by foreign businesses accounted for \$140 million, a 2.3 percent increase; foreign loans accounted for \$80 million, a 56 percent increase.

Government revenues increased fairly rapidly. In the first 6 months, the province's local budgeted revenues came to 3.97 billion yuan, 33.2 percent more than last year in the same period. In particular, industry and business tax increased 30.1 percent. Local budgeted expenditures came to 5.39 billion yuan, an increase of 33.8 percent.

The citizens' real income rose steadily; the living standard also improved. In the first 6 months, the province's urban population's monthly per capita income was 234.2 yuan; their expenditure was 205.9 yuan. They represented increases of 36.5 percent and 33.2 percent respectively compared to the same period last year. After taking the price factor into consideration, the real increases were 9.8 percent and 7.2 percent. The province's total wage bill came to 11.5 billion yuan, an increase of 35.9 percent. In the first 6 months, the peasants' per capita cash income was 477.27 yuan, an increase of 28.8 percent (not taking price factor into account.)

Savings increased significantly; the financial situation was good. At the end of June, deposits of various types in the province's banks and other financial institutions totaled 167.6 billion yuan, 24.58 billion yuan more than at the beginning of the year and 14.96 billion yuan more than last year in the same period. It marked a period with the fastest increase in deposits in the province's history. Loans extended by banks and other financial institutions came to 156.31 billion yuan, 10.28 billion yuan more than at the beginning of the year and 3.57 billion yuan more than in the same period of last year. From January to June, the province retrieved a net of 2.78 billion yuan in currency, 3.95 billion yuan more than in the same period last year.

The increase in fixed asset investments clearly slowed. Between January and June, the province's state-owned units invested 10.04 billion yuan in fixed assets, which represented a 22.6 percent increase; among them, investments in capital construction increased 20.8 percent, and investments in technological transformation increased 29.9 percent.

Prices were levelling off. In the first 6 months, the province's retail price index rose 19.2 percent—22 percent in the cities and towns and 16.8 percent in the countryside. The province's retail price index had remained high since

May of last year, but it began to level off in May of this year. May's retail price index was 1 percentage point below April's. Preliminary analysis showed that the continuous climb in the province's retail price index had come to a halt. Although prices rebounded somewhat in June, as the tail-end effect wears off, price increases in the next 6 months will slow down.

While stressing economic tasks, the province has always insisted on upholding the principle of "grasping with both hands and being firm" and has made every effort to preserve social stability. In the first 6 months, the problems that had undermined Hebei's stability were targeted, and a series of measures were adopted. Local governments focused on the "rice sack, the market basket, the oil jar, and the cooking stove"—daily essentials, so as to basically guaranteed the people's everyday needs. Comprehensive administration of public security was strengthened when the province mobilized the "spring offense" to crack down on serious capital crimes. The province went deep to launch an anti-corruption struggle and stepped up the honesty in government drive in the government system, demanding government workers at all levels, especially the leading cadres, to be honest and self-disciplined. Major crimes and important cases were investigated, and the unhealthy tendencies in some trades and industries were corrected. The province was fairly successful in sorting out the arbitrary fees, cracking down on foreign (out-of-province) travels using public funds, and consolidating rural electricity prices and so on. It abided by the law in strengthening the administration of religious matters, dealt with the people's visits and letters properly, and resolved many internal and grass-roots contradictions.

Summing up the province's economic situation in the first 6 months, it was obvious that agricultural production surpassed last year's, industries grew at a rapid pace, the increase in fixed asset investments slowed, market supply was stable, foreign exports grew steadily, government revenues increased fairly quickly, and deposits increased substantially. Overall reform made good progress, and both the economy and society were fairly stable.

Despite this year's economic growth momentum and the fine overall situation, there are some serious problems and trouble spots. Our agricultural base is weak, and we lack the ability to combat natural disasters. We had too much rainfall in July; and Chengde, Langfang, Tangshan, and Qinhuangdao were hit by disasters. Our tasks in combating disasters, providing relief, and restoring production are arduous. Moreover, the state-owned industries have been growing relatively slowly; some are plagued by declining economic efficiency. We have inadequate asset investments; enterprise circulation funds are still scarce, and market prices are still rising too rapidly.

In the second half of the year, we must wrap tightly around the party's and the nation's task to "seize the opportunity, deepen the reform, open up further, promote development, and maintain stability" and continue to uphold the general idea of using reform to promote development and

using development to ensure stability. We must focus on enterprises' changing mechanisms and new systems and work hard to promote other necessary reform measures. We must be diligent in our agricultural and rural tasks, get a handle on combating floods and drought, and strive for a whole year's bumper harvests. We should readjust the industrial structure, open up the markets, and go all out to achieve the goal of "three increases, one reduction, and one improvement," so as to make sure that the province's industrial growth rate will not fall below the national average. We must make market construction the focal point to accelerate the development of the tertiary industry, and on the premise of optimizing the structure, we should increase fixed asset investments and investments in technological transformation to enhance our staying power in economic development. We should actively raise funds to support economic development. We must be resolute in implementing the strategy of letting our external orientation give impetus to the whole economy; we must further open up at home and abroad. While we stress reform and development, we must continue to do a good job maintaining social stability to ensure the smooth progress of reform and guarantee sustained, rapid, and healthy economic development and social stability.

Finance, Banking

Banks Delay Account Settlement

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[Article by staff reporter Li Zhengping (2621 3630 1627) and intern Bai Yun (4101 0061): Why Do Credit Units Have No Credit—Analysis of the Issue of Account Settlement“]

[FBIS Translated Text] A bank is a credit unit dealing mainly with money. The purpose of its service is to obtain and emphasize credit. However, in reality, banks which are supposed to be most credible have in some instances lost credibility. The most prominent expression of this phenomenon is that during the inter-bank account settlement procedure, foreign exchange funds are often held up by one bank after another, creating an intertwined "triangular chain" reaction within the banking system. Banks and their loan customers, industrial and commercial enterprises, have suffered severely as a result, and people from more and more fields have begun to express extensive concerns over this issue.

Inter-bank account settlement is a basic operation within the banking system. The performance of this operation and the quality of this service not only reflect the credit of banks themselves and the efficiency of money management but also have an extremely important bearing and impact on the development of enterprises and even the national economy as a whole. In recent years, since the Central Bank has strengthened the supervision of capital movement and since various specialized banks have made concerted efforts, the previous vicious and large-scale

confusion in account settlement has been stopped basically. But some account settlement workers have ignored account settlement discipline and set up "man-made barriers," causing frequent occurrences of "middle obstruction" and "missing link" throughout China. There are different expressions of this problem.

"Slow" is a problem most complained about among enterprises and which has caused most headaches. According to the normal time limit for account settlement, the exchange of local notes takes three days and exchange of foreign notes takes one week. In view of the increasing numbers of modern office equipment, this time lag should be considered reasonable. However, due to various reasons such as a funds shortage, account settlements have been "three beats too slow." An prominent expression is that it is slower when the money supply is tight, when different regions and departments are involved, and when large amount of notes are exchanged. What is more, manual inter-bank foreign account settlements usually takes 10 to 15 days and sometimes 20 to over 30 days.

"Withholding" is another expression. Some credit units withhold enterprise funds. Even specialized banks set up barriers against each other. Withholding funds for three to five days is nothing unusual. Especially when money is tight, this kind of thing happens all the time. Some refuse to cash notes under the excuse of an unavailability of cash. Some put off credit and electronic transfers. Some do not present other banks' notes in a timely manner. The major purpose of these tricks is withholding, which is a way to solve one's own problem by withholding someone else's money. According to the calculation of banking authorities, the irrational withholding of fund transfers amounts to several billion yuan a day throughout China. What an astonishing number this is! In 1993, a certain city in Hubei Province was found to have conducted 4,347 illegal account settlements, involving 458.6 million yuan.

"Misusing" is using inter-bank funds transfer for one's own use. This is a violation of discipline and law. But in some areas some people still knowingly violate the law and intercept inter-bank funds transfers. On 24 July when I was conducting an interview in Henan Province, I heard a shocking incident. Using its status and power, a specialized bank in a certain city after adopting illegal methods to intercept a remittance of 500,000.00 yuan from an enterprise, turned around and loaned the money to another enterprise. The misuse of this fund lasted for 847 days. Serious misuses like this are only a few in number, but similar incidents of misuse are fairly common.

Some people ask: The Party Central Committee has issued repeated injunctions demanding protection of the banking order and guarantees for settlement discipline, and the Central Bank has adopted many measures to strengthen supervision and investigation, so why have the phenomena of funds withholding and misuse in inter-bank account settlements still not been resolved once and for all? This is due to many reasons.

"Failure to abide by the law, failure to strictly enforce the law, and failure to investigate violations of the law" are an

important reason for the chaos in account settlements. We are told that in foreign countries, if a bank is found to have written a bad check, not only will the unit that is responsible receive a huge fine but also the person responsible will be investigated for legal liability according to law. In China however, according to current stipulations on withholding notes against regulations, the withholding unit will be fined for 0.03 percent of the interest of the withheld amount, and the person who is directly responsible for this will not even be affected. In other words, withholding a 10 million yuan remittance from an enterprise for a period of one month will result in a fine of only 10,000 yuan. But if a bank loans this money out, its return will be several times higher than the fine. Small fine and a large profit. What is there to lose?

"Local protectionism and industrial malpractice" are another important cause for slow account settlements. As the economy develops at a high rate of speed, all localities have experienced money shortages. After failing to obtain funds through legal channels, some local governments began to resort to the account settlement procedures of banks. In addition to using the difference between exchange rates, they adopted administrative methods to restrict settlement funds to a certain area, artificially creating a deadend to the flow of money. Within the banking system, some specialized banks created barriers for each other and allow only inflow, but not outflow, of money. Or they would block the regular flow of money by paying less than they receive.

"The lack of a strong sense of responsibility and a concept of money efficiency among some bank and enterprises accounting personnel" is another important reason. During my interviews, I learned of the following two events: One happened in a certain large enterprise in the south. A remittance of 500,000 yuan for the difference of exchange rates was pigeonholed by the bank for two weeks, and the enterprise had not the slightest idea about it. After this was discovered during an investigation organized by the bank's supervising unit, when asked about this, an accountant of this enterprise stated: "Our enterprise is so large and we have so much in working funds. We would not know which sum of money is being pigeonholed by the bank." The second story happened in an industrial and commercial bank in a certain city in Central China. A draft of four million yuan had been cashed, but the accounting personnel of the industrial and commercial bank failed to credit it to their own account. As a result, this sum of money floated outside the bank's accounting system for 20-plus days and created a loss of over 30,000 yuan in interest alone. Hearing these two stories makes people ponder. With bank and enterprise accountants like these, it would be unusual if settlement funds are not blocked!

"Outdated means of service" is an objective cause for the blocking of account settlements. Judging from the situation in China as a whole, the existing equipment for inter-bank account settlements lags far behind the advanced standards of foreign nations and the reality of

the account settlement situation of domestic banks. Especially in the case of account settlements between county banks, most operations are done manually and delay in work is unavoidable.

How do we permanently solve the serious problems of withholding, misusing, and intercepting funds in bank account settlements? I interviewed leaders and experts of departments concerned, bank employees directly involved in account settlements, and some accounting personnel of industrial and commercial enterprises. They think that the first thing to do is legislation. "New Rules and Regulations for Bank Account Settlement," which was drawn up under the supervision and management of the People's Bank of China, have played a positive role in safeguarding orderly account settlements. However, with the economy developing, the situation changing, and relevant measures lagging behind, the above rules and regulations are no longer able to control each and every aspect of the entire account settlements system. Because of this, people call for the early introduction of a "law of bank notes" to combine efforts to strengthen the management of account settlements and bank notes in order to reduce the occurrences of blockage in account settlements. Second, the banking system needs to increase investment in equipment improvement. Guangzhou Clearinghouse is an example of success for the electronic improvement of China's banking system. This clearinghouse, which imported a note clearing and sorting system from NCR of the United States in early 1994, has become the first computerized and automated account settlement center of China. This clearinghouse handles exchanges of 100,000 notes and the amount of daily transactions exceeds 2.5 billion yuan. "Local account settlements" used to take three to seven days. Now it can be done immediately for areas within an area of 100 kilometers. This information tells us that all localities should strengthen the computerization of the banking system and especially the electronic standard of account settlements. Thirdly, whether or not leaders pay attention to account settlements is crucial to solving this problem. Central leaders attach great importance to the work of account settlement. They have clearly instructed that we need to heighten discipline in account settlement. Bank directors at all levels, in particular, need to pay a high degree of attention to this work.

We believe that with leadership paying attention, bank account settlement personnel making an effort, and enterprises actively cooperating, bank account settlements will be free of any obstruction and the banks' credibility will increasingly grow.

Article Views Enterprise Social Security System

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[Article by the Joint Project Research Group of the Zhejiang Provincial Department of Finance and the Scientific Research Institute of the Ministry of Finance: "A Study of Improvement of Enterprises' Social Security System"—

person in charge of the group: Weng Lihua; responsible person: Zhong Chusheng and Jia Kang (writer of the article); members: Wu Yunfa, Chen Qunhua, Gao Yunzheng, Lu Jiajun, and Wu Xiaoming; responsible editor: Zhang Xiaohong]

[FBIS Translated Text] [Editor's note] This article holds that in the market economy, the social security system plays a vital role in promoting the rational flow of production elements and redistribution of assets, maintaining social stability, improving the quality of economic development and the physical condition of laborers, raising funds for economic growth, and making policy adjustments to facilitate the operation of the national economy. In the transformation of the social security system, a major and difficult task exists in the state-owned economic sector, in particular the state-owned big and medium-sized enterprises with a rather long history and a relatively heavy burden. Based on investigations and studies and through a comparison of the social security systems being implemented in various types of enterprises, the writer points out that experience in conducting the "integrated" social security system merits attention. With regard to the urgent problems to be resolved in the present work, the writer offers suggestions to improve the social security system and its management in enterprises as well as in the entire society. [end editor's note]

After a long period of theoretical exploration and over a decade of practical reform and opening-up, we have established the goal of building a new socialist market economy. Improving the social security system is a very important part of the supplementary reform in our systemic program to achieve this goal. Based on this understanding, we have conducted special investigations and studies in Hangzhou, Ningbo, Wenzhou, and Yiwu of Zhejiang Province, focusing on how the social security work is carried out in local enterprises and the problems in their work. We have also made some analyses and studies concerning the theories and policies in this respect.

I. Social Security, An Indispensable Component of the New System

Since new China was founded, it has attached great importance to the establishment of a social security system. Based on practical needs, it has formed a labor insurance system for office and factory workers in cities, a "five guarantees" system [childless and infirm old persons are guaranteed food, clothing, medical care, housing, and burial expenses] in rural areas, a cooperative medical care system, and a system of special care given to disabled soldiers and families of revolutionary martyrs and servicemen. Plus, it has developed various social welfare and relief programs in both cities and countryside and conducted relief work in disaster-afflicted areas. All these are of great importance.

Since the commencement of the reform and opening-up drive, however, the original social security system of our country has become increasingly incompatible with our process toward the socialist market economy, and a

number of contradictions and problems have cropped up. Accordingly, a host of exploratory measures have appeared to find ways to improve the social security system. With regard to the social security system in enterprises, "unified raising" of funds for retirement and old-age pension and for unemployment insurance is a rather common practice at and above the county and city level. In certain localities, steps have been taken to improve the medical care system for office and factory workers. Generally speaking, a further and more intensive reform of the social security system is in the making. The reform is necessary for the following reasons:

First, in the market economy, the social security system is of utmost importance and plays a vital role in promoting the rational flow of production elements and the redistribution of assets and in maintaining a stable social environment.

When the market has become a basic resource-allocation mechanism, the flow of production elements and redistribution of assets will inevitably result from competition and serve as a basic way to optimize the allocation of resources. In the ceaseless processes of economic operations, the flow of the labor force, which is the most active and peculiar production element, is a key link. The normal competition among enterprises, their bankruptcy and merger, and the readjustments of their financial and material resources are all closely related to the rational flow and appropriate placement of the labor force. All these depend, as a prerequisite, on a rather smooth solution to the question of ensuring the livelihood of retired and job-awaiting (unemployed) laborers. In our economic system prior to the reform drive, the employment of laborers in state-owned enterprises was based on plans, and the "iron-bowl" system, which gave employees the status of lifelong permanent workers, was in effect. Their medical-care expenses were totally borne by enterprises. Such practices are entirely incompatible with the new market economic system to be established by our reform drive. Unless these old practices are changed, the transformation of the enterprise operational mechanism and the improvement of the market system will become only empty talk. Nonetheless, when we introduce competition into our economy, the flow of the labor force and the mechanism of enterprise bankruptcy will become objective factors destabilizing our social environment. It is, therefore, imperative to have an appropriate social security system to safeguard the necessary stability of our society.

Second, in the market economy, the social security system is a must for improving the quality of economic development and the physical condition of laborers.

In the final analysis, the purpose of socialist production is to raise the material and cultural levels of the people's life and enhance the overall well-being of society, whereas the development of the socialist market economy is the only way to speed up the modernization of the national economy and improve the people's living standards. Such being the case, promoting the people's social and economic welfare in line with economic growth and improving the

laborers' physical condition, which is closely related to their living standards and the medical and health-care systems, have become the most fundamental tasks in raising the quality of our country's economic development. These are exactly the major functions of the social security system. Failing to establish and improve our social security system in line with the inherent needs of the market economy, we will be unable to achieve our most fundamental goal of economic development.

Third, the social security system is a vital means to raise funds for economic growth and make policy adjustments in the operation of the national economy under the market economic system.

The modern social security system based on the fund system is one way to raise the savings level of a country and increase the scale of its capital accumulation. Accordingly, it is a vital means to raise funds for economic growth. Moreover, the collection and disbursement of the social security funds can play a very active role in easing the contradiction between efficiency and fairness and regulating the relationship between the total supply and demand in society. This is because such collection and disbursement is a form of socialized regulation which uses the social product to subsidize the low-income stratum in society, thereby alleviating the "polarization" problem. Additionally, when the fluctuation of the economic development hits rock bottom, resulting in an increase in the number of unemployed and poor people, the allowance paid by the social security system also increases accordingly. On the other hand, the allowance decreases when economic development is at the peak. This serves to a certain extent to regulate and promote the balance of total supply and demand. For this reason, the social security system is also one of the tools that the government uses to implement its income-redistribution and economic-stabilization policies under the market economic condition.

In a word, a sound, perfect social security system is an indispensable component of the socialist market economy. It is a necessary guarantee for transforming our economic system and fueling our economic growth. China's reform and development is in urgent need of a sound social security system as a supplement.

II. Key and Difficult Tasks in Transforming the Social Security System in Enterprises

The improvement and perfection of the social security system can be boiled down to one point, and that is to transform the old social security mechanism based on the product and natural economies into a new mechanism based on the market economy. As far as enterprises are concerned, the main tasks are as follows:

- To build a unified market and provide an environment for fair competition among enterprises, it is necessary to establish a socialized retirement and old-age pension system for employees.
- With the transformation of the permanent-worker system into the contract-worker system, the flow of

personnel to seek better jobs, and the rationalization and standardization of the "two-way choice" employment system to meet the demands of both job-hunters and enterprises, it is necessary to establish and improve the employees' job-awaiting (unemployment) insurance system.

—With the incorporation of such ideas as market and competition into economic activities and enterprise operations in line with the process of transforming the enterprise operational mechanism, the original draw-back-laden and wasteful "labor insurance" system, which pays all medical expenses, cannot be continued and must be replaced by a new rational and restricted medical insurance system.

—The traditional practices of enterprises providing social welfare benefits to their employees, such as running elementary and middle schools for employee dependents, are becoming increasingly incompatible with the new environment of the market economy. Such practices should no longer be the functions of enterprises and must be taken back by society.

In our investigations, we took Zhejiang's economy as a miniature of the national economy and conducted selective studies of enterprises in different economic sectors. Our impression, and initial conclusion, is that in the transformation of the original social security system into a new system in line with the market economy and the general tide of reform, the state-owned economic sector, especially big and medium-sized enterprises with a rather long history and a relatively heavy burden, constitutes a key and difficult question to deal with.

Based on our investigations of shareholding enterprises in Hangzhou, the three kinds of foreign-funded enterprises in Ningbo, township enterprises (cooperative enterprises under the shareholding system) in Wenzhou, and private enterprises and individually owned shops and stores in Yiwu, we believe that though some problems of unsoundness and imperfection with regard to the social security system still exist in the operation of these economic entities, there is no striking obstacle, on the whole, to the transformation of their social security systems. The "two-way choice" employment system between employees and enterprises and the flow of personnel have been basically put on the right track. In shareholding enterprises, the three kinds of foreign-funded enterprises, and township enterprises, the makeup of employees show that they are relatively "young" in age, and, accordingly, the enterprises' medical expense burden is lighter and does not constitute a very difficult problem. Regarding the old-age pension funds provided by the "unified fund-raising" system, in most cases they are in an "outflow" state (the funds show a net outflow). In addition, because these enterprises have developed during the new period after the start of the reform, they generally have no such burden as "enterprises providing social welfare benefits." As for private and individually owned economic sectors, they have the most restrictive budgets and must bear the

operational risks themselves. For them, buying personal and property insurance is the main "security" method to be adopted at the current stage. Moreover, since most of the employees are from rural areas, if an unemployment problem arises, they can return to the countryside to farm their "responsibility fields"—the last resort of "social security."

In general, main difficulties and problems exist in big and medium-sized enterprises, especially those old enterprises with a "long history" and a heavy burden. Their principal problems are as follows:

First of all, relatively striking obstacles still exist in the systems of the "two-way choice" employment between enterprises and employees and the flow of personnel. Although in recent years the percentage of contract workers has risen in state-owned big and medium-sized enterprises, recruitment of employees and cancellation and suspension of work contracts due to changes in production and operations and the employees' performance are still subject to numerous restrictions and interference from the government's administrative and public-security departments. It is often the case that in a big factory with thousands of workers, only a few employees were dismissed in a period of several years due to violations of law and discipline or performance problems, while not a single employee was laid off because of overstaffing. The Zhejiang Hemp Textile Mill is an old enterprise with a brilliant history. As of the mid-1980's, this mill had contributed a total of 1.4 billion yuan to the state in profits and taxes, 30 times as much as its fixed-asset investment. Since 1985, its business has declined with losses incurred each year for such reasons as the lack of diversity of products, the aging of the mill, and the intensification of competition. Now, it has too many employees on the second and third lines (many of the permanent workers have been transferred to the second and third lines) and cannot reduce them, while there is a shortage of the labor force on the first line. On the one hand, difficulty in reducing the surplus employees has resulted in a decline in efficiency. On the other hand, it is hard for the mill to recruit workers in Hangzhou City to meet the need of the first line due to its poor operational results and, accordingly, the low wages offered. Under these circumstances, the only way is to recruit workers from remote mountainous and poverty-stricken areas. This way the mill not only has to bear more expenses for providing the workers' living quarters and for their basic educational and technical training, but is also subject to the various restrictions imposed by the departments concerned aimed at "controlling the urban population." Certainly, the mill is in the state of a vicious cycle.

Secondly, the obvious problem of aging employees has increased the burden of enterprises. State-owned big and medium-sized enterprises built in the 1950's and 1960's, in particular textile and other light industrial enterprises, which are labor intensive, now generally have the problem of aging employees, resulting in a high percentage of retired personnel. For example, in the Hangzhou Silk Textile Joint Plant, incumbent and retired employees are

in the ratio of 1:0.7. In the Zhejiang Textile Mill, the ratio is close to 1:1. With the "unified raising" of the retirement funds at the county and city level, these enterprises have become "fund-inflow" units (their retirement funds show a net inflow), easing to a certain extent the retirement payment pressure. In the case of medical expenses, however, there is no such unified raising of funds to ease the burden. So the medical expense burden has become the most striking problem at present. According to calculations by the Hangzhou Oxygen-Producing Machinery Plant, the annual medical expense for each retired employee now averages more than 1,000 yuan, about three to four times of the medical expense for each incumbent employee, and the expense continues to increase with the rise in medical costs. The Zhejiang Hemp Textile Mill and the Hangzhou Silk Textile Joint Plant are also in a state similar to the Hangzhou Oxygen-Producing Machinery Plant. Because of the poor operational results of these units in recent years, it is impossible to retain a portion of the profits for use in replenishing the welfare funds. Employees' medical expenses must be paid by other funds. In view of the situation in the province, a comrade of the Insurance Administrative Bureau of the Zhejiang Provincial Department of Labor says: Regarding the improvement of enterprises' medical insurance system, there are "the greatest crying need and the most formidable difficulty."

Thirdly, the burden of "enterprises providing social welfare benefits" has aggravated the difficulty faced by old enterprises. Old state-owned enterprises were established according to the pattern of "enterprises providing social welfare benefits." Their facilities include not only such welfare units as bathhouses and clinics, but also stores, kindergartens, and elementary and middle schools. Though some of these facilities (such as bathhouses) need to be retained in the new period, many should not be run by enterprises (for example, elementary and regular middle schools). Confronted with increasing competition, all state-owned enterprises that are suffering from heavy burdens hope to return the responsibility for running social welfare facilities to society, but are meeting with numerous difficulties in doing so. In Hangzhou, students of factory-run elementary and middle schools still account for about 20 percent of the total number of students in the city. Many enterprises have tried to transfer such schools to the state, but the Education Commission does not agree because it has no fund to run the schools. For instance, the Zhejiang Hemp Textile Mill, which has suffered losses for eight years running, has a dependent school with some 500 students. The money spent annually in running the school amounts to more than 300,000 yuan. Meanwhile, it is still required to pay the education surtax (of which 30 percent is refunded). This factory wishes to transfer the dependent school to the state so as to reduce its burden in the future. To do this, it offers to pay a one-time contribution to the state in support of the development of education. So far, however, this wish has not been fulfilled despite several years of negotiations.

To sum up, if we compare state-owned big and medium-sized enterprises with newly established shareholding enterprises, joint ventures, and township and private enterprises, we will see their clear differences. In the face of the keen competitiveness of the non-state-owned economic sector, state-owned big and medium-sized enterprises in general have become laden with problems, including untimeliness in upgrading their products, outdated manufacturing processes, technology, and equipment, striking questions concerning organizational structure, and insufficient capacity for sustained development. In addition, many burdens caused by historical reasons have not been removed; instead, they have become even heavier and heavier. This, of course, has aggravated the enterprises' difficulties. Viewed as a whole, state-owned big and medium-sized enterprises pose key and hard-to-solve problems in the market-oriented economic change and in the transformation of the social security system.

The real situation at present is that efforts are being made to define the relationship of property rights and to transform the operational mechanism of enterprises. The appearance of the shareholding system and the leasing, bankruptcy, auction, and merger of enterprises has facilitated the redistribution of assets, the flow of personnel, and the optimization of organization. Among these tasks, personnel disposition and placement is the most thorny problem. Failure to properly solve this problem will affect the process of enterprise reform. Because of this, prompting the formation of a socialized security system is an urgent task.

III. Experience in Implementing the "Integrated" Social Security System Merits Attention

In the distribution of social security benefits, it is necessary to gradually raise the degree of socialization so that the management and operation of the social security system will become more in line with fair competition in the market and the new resource-allocation mechanism characterized by the rational flow of production elements. In this regard, Zhejiang Province has a new experience—the establishment of an "integrated" social security system with Wenzhou as a representative.

While developing the market economy, Wenzhou City in the late-1980's took the lead in establishing an "integrated" old-age social insurance system in its urban area and Ou Hai County, aiming at equalizing the burdens on various enterprises, increasing their vitality, ensuring the retirees' basic livelihood, promoting the reform of the labor system, and maintaining social stability. The new system has been popularized in all counties (cities) of Wenzhou City since July 1991. In 1992, the scope of unemployment insurance was also expanded.

Following are the main methods used by Wenzhou City in conducting the "integrated" old-age social insurance:

1. It has expanded the scope of old-age social insurance to cover the entire society. Now, it covers all staff members and workers of the enterprises owned by the whole people

and by collectives, the three kinds of foreign-funded enterprises (Chinese side), and all other types of enterprises, including stockholding, cooperative, and privately owned enterprises, as well as individually owned shops and stores, enterprises belonging to ministries and provincial governments, and branches of enterprises in Wenzhou. In other words, all laborers with jobs are covered by the insurance without exception.

2. A multichannel method is adopted to raise funds. The state, collectives, and individuals share the burden in a reasonable way. They are the long-term and stable sources of retirement and old-age pension funds. Specifically, the sources are: (1) a 17 percent withholding from the total wages of industrial and commercial enterprises; (2) a 2 percent withholding from the standard wages of individuals; and (3) a 0.5 percent withholding from the sales proceeds of industrial enterprises and a 0.1-0.3 percent withholding from sales proceeds of commercial enterprises (0.3 percent from retail sales and 0.1 percent from wholesale). The above withholdings are used as local old-age social insurance funds. (4) a 0.5 percent withholding from the total local revenue is used as supplement when the funds are insufficient. (1) and (2) are by and large the same as the "unified fund-raising" method used in other localities, while (3) and (4) are new arrangements created by Wenzhou City on the basis of its real situation.

3. All the insured receive the same treatment. Benefits to enterprise employees and individual laborers covered by this insurance are calculated in the same way as the old-age insurance for employees of units owned by the whole people.

4. An identification-card system has been established for old-age social insurance. Each insured individual is issued an identification card. Insured employees of all kinds of enterprises carrying their identification cards may receive their due benefits at any time when they are in the city.

5. The method for paying the old-age pension has been improved. The method of payment has been gradually changed from paying through enterprises to paying through the neighborhood committees in the places where the retirees reside. This is a major step toward the goal of combining social and enterprise management of retired employees with social management playing the main role.

To meet the need of increasing the degree of socialization of the social security system, Wenzhou City has founded the Municipal Social Insurance Committee as a leading social security administrative organ to strengthen leadership in this respect and coordinate the work of the departments concerned.

As far as we know, the "integrated" management being practiced in Wenzhou is the first of its kind in the country. From its inception, the practice has produced very positive results and drawn attention and favorable comments from the departments concerned, both central and provincial.

In our opinion, the system practiced by Wenzhou is quite reasonable.

First, it has helped create a relatively sound environment for fair market competition. Redistribution of social security benefits not only involves enterprises owned by the whole people and by collectives, but also those economic sectors that have developed quickly in recent years, including the three kinds of foreign-funded enterprises, stockholding enterprises, township enterprises, private enterprises, and individually owned shops and stores. This meets the requirement of developing the economy. It is also a correct way to achieve more effective results in relieving state-owned big and medium-sized enterprises of their heavy burden and to enable them to advance toward fair competition.

Second, it has helped enhance the socialization and basic functions of the social security system. The integrated social security system, which is indiscriminate with regard to the "economic sectors" of enterprises and the "personal status" of the employees covered by the system, is an embodiment of the inherent needs and basic functions of the social security mechanism in the market economy. This social security system poses no obstacle to the flow of the labor force. This means that it is truly compatible with the reform of the labor system and the enterprise operational mechanism.

Third, it is conducive to boosting the usefulness of the social security funds and their function as a policy adjustment tool. The integrated social security system for the entire society has more financial resources. It is stronger and more stable and plays a better role in serving as a policy adjustment tool. With this system, the government will be better able to cope with and ease the contradiction between social fairness and efficiency, optimize social and economic environments, and safeguard overall stability in the course of developing the market economy.

As can be seen, the "integrated" social security system, first implemented in Wenzhou, meets the inherent needs of the development of the market economy and conforms to the general orientation of improving and perfecting the social security system. It is a new factor created in the real life with the development of the market economy. Certainly, it merits the attention of all concerned.

IV. Some Urgent Problems To Be Resolved

In view of the general situation in our country, the social security work now has the following urgent and striking problems to be resolved, apart from issues on mechanism transformation:

1. The work has a limited scope and lacks a unified standard. It is lagging seriously behind the development of the situation. In most localities, the "unified raising" of old-age and unemployment insurance funds only involves state-owned enterprises and some collective enterprises. It has nothing to do with those economic sectors that have developed most rapidly and actively in recent years, such as township enterprises, the three kinds of foreign-funded enterprises, and private enterprises. Objectively, this has resulted in vastly different standards. For this reason, the

work is not compatible with the reforms of the market system, the enterprise operational mechanism, the flow of the labor force, and the employment system.

2. There are too many administrative organs with overlapping functions. The result is confusion and low efficiency. Departments of labor, personnel, civil affairs, public health, and industry and commerce all get involved; they are known as "five dragons combating the flood." In addition, units doing insurance business are undertaking part of the social security responsibilities. Even some local financial and banking departments are also involved in social security work. They engage in endless haggling rather than coordinate with each other, and often each goes its own way and refuses to cooperate. This has led to disorder and low-efficiency in work and administration. In addition, because of the multi-pronged administration, overlapping organs have been established, thus increasing the state burden and the costs to society.

3. Administration is characterized by a low degree of socialization. The unified raising of old-age and unemployment insurance funds in various localities is generally limited to the city and county level, and no such system has been instituted for medical, health-care, and other kinds of insurance. In addition, under the unified fund-raising system, the main task of administrative organs are receiving money and screening expenditures—that is, they only deal with money, but not people. Concrete management, matters about services, and even many miscellaneous affairs about employees' families and daily life are still by and large taken care of by enterprises. The numerous demands put forward by high-level administrative organs have added to the work of enterprises. (For example, the record of pensions paid to retired employees was originally listed according to their places of domicile. Some administrative organs have demanded that a new record be set up according to the retired employees' length of work, and that the two records be reconciled monthly.)

4. There are numerous instances of misuse of funds. The question of how to preserve and enhance the value of funds is still awaiting a proper solution. Cases of abuse and waste in using funds are frequent. Quite a number of localities have used part of the balance of rollover funds in making risky investments, thus directly violating the safety principle for social security funds. Some provincial old-age insurance administrative organs extended unauthorized loans out of old-age pension funds. At the end of the loan period, two-thirds of the money could not be called back. Some administrative organs even used the funds to build sumptuous office buildings and employees' dormitories or buy luxurious cars. Statistics show that in 1990 the administrative expenses of unemployment insurance organs nationwide accounted for 33 percent of the total expenditure from these funds, while the money used directly for job-awaiting (unemployed) people was only 7 percent of the total expenditure.

V. Suggestions on Improvement of the Social Security System and Its Administrative Work

1. We should define the goal of social security and the steps to be taken.

The general goal is to gradually establish, through reform, a social security system in line with China's condition and compatible with the socialist market economy and to operate this system with high efficiency through strict and rational administration.

By "in line with China's condition," we mean that our system should differ from those in Western countries, which cover the people "from the cradle to the grave." We should determine the scope of insurance and the criteria for paying benefits based on the fact that China's productive forces have not been well developed and its people's living standards are relatively low. In rural areas, for example, we have for a relatively long period relied on a combination of family security arrangements and social relief. By "compatible with the socialist market economy," we mean that the goal and form of the social security system must meet the demands of the market economy, and that the development of the social security system must be commensurate with the development of the market economy.

The steps to be taken should be gradual and by stages. No attempt should be made to attain the goal at one stroke. Generally speaking, there are three steps:

In the first step, before the end of 1995, we should take enterprises as our major targets and, following the popularization of the unified fund-raising method for retirement and old-age insurance at the city and county level, go all out to popularize the Wenzhou-type "integrated" unified fund-raising system. The scope of this system should be enlarged to cover all kinds of enterprises and economic sectors. The criteria for benefits should also be unified. Old-age and unemployment insurance funds can be collected by the same administrative organ, but there should be separate accounting systems. Now, all localities have the basic conditions to do this, and there should be no big stumbling block. This practice will have the following advantages: First, it can clear the way for the flow of the labor force and the reform of the unemployment system. Second, it can expand the sources of old-age pension funds, thereby reducing the continuous burden on state-owned big and medium-sized enterprises, especially old ones. It can also create an environment for fair competition. Third, it enables the administrative organs to advance toward integration and can, thus, raise their management and operational efficiency.

In the second step, about 1996, we should expand the scope and targets of the integrated unified fund-raising system. This system should cover not only enterprises but also administrative units and institutions. The targets should include medical and health care.

In the third step, about 2000, the work should be further improved on the basis of achievements made in the second

step. One, we should collect a social insurance tax as a basic way to raise funds for social security. The purpose is to fully socialize and standardize the fund-raising method. Two, we should set up standard and unified criteria for giving benefits. Three, we should appropriately expand the scope of security according to the actual situation, such as the development of the economy and the people's living standards. Four, we should adopt a "Social Security Act" through legislative procedures.

(2) We should strengthen the building of social security organs.

Since this work involves many sectors, it cannot be accomplished by any government department independently. Unified social security organs should be established at all levels, from the central government to provinces, cities (prefectures), and counties. Their job is to undertake the social security administrative responsibilities and to coordinate all related work. These organs may be divided into three tiers: 1. Social security committees, with responsible government leaders at the corresponding levels as chairmen. The committees, whose members include representatives from labor and personnel, financial, and banking departments, trade unions, and other departments concerned, make decisions on major issues. 2. Work organs under the social security committee. For the time being, they may be put under the labor department to take care of various concrete work. 3. Service units may be established in townships and neighborhoods under the county and city level. Their responsibility is to collect money and pay benefits.

(3) We should earnestly beef up supervision and control over the use of social security funds and try to preserve and increase their value.

Now, the funds should be kept in a special account. Every effort should be made to guard against misuse and waste. Using these funds to make risky investments, such as stocks and real estate, should be strictly forbidden. In addition, the funds cannot be used as loans to enterprises to finance their capital construction or technological upgrading projects. We should draw on international experience and vigorously explore ways and means to preserve and even increase the value of these funds when they are temporarily or constantly lying idle. For example, they may be used to buy state treasury bonds and financial bonds.

(4) Financial departments should play a positive role in building the social security system.

Basically, financial departments at various levels are not involved in the management of social insurance funds at present. This is not normal. Social security is, in essence, an act of distribution. The raising, use, and management of social security funds are all closely related to financial work and have something to do with the macro-balance between the total supply and demand and with the relationship of distribution between the state and enterprises. With the gradual improvement of the social security

system, a sizable part of the social security funds will have to be paid by the financial department. The money expended for this purpose by the financial department will account for an increasing share in the total financial expenditure. Therefore, the financial department, which serves as a hub in the distribution of national income and a major means for the macro-regulation and control of the national economy, cannot keep aloof from building the social security system.

How should the financial department be involved in building social security? We should keep on exploring before we can find the answer. Based on international experience plus the actual condition of our country, we believe that emphasis should be put on the financial department's participation in drawing up the principle, policy, and system of social security and in strengthening the supervision and control over the social security funds. At present, consideration may be given to the following work:

1. The present social security funds should be kept in a special account not included in the financial department's budget. As to the use of the funds, the departments concerned should work out a budget, which should be approved by the financial department. The purpose is to set up a control mechanism.

2. The part of funds that are temporarily or constantly lying idle can be used to buy a certain amount of state treasury bonds so that they may be utilized to the fullest extent.

3. From now on, before the expansion of the social security scope and changes in the criteria of benefits, consultations should be held with the financial department at the same level so as to obtain its concurrence.

(5) Improvement of social security work should coordinate with the reform of enterprise operational mechanism. Step-by-step efforts should be made to change the state of affairs where "enterprises are providing social welfare benefits." The government's functional operations aimed at providing social benefits should be truly separated from the operations of state-owned enterprises.

Factory-run elementary and middle schools should be returned to the public education department. Funds for running these schools should be included in the financial department's budget. Enterprises should transfer their mess halls, kindergartens, stores, cultural and sports facilities, and buses for staff members and workers to outside service organizations if they can find such organizations to run these facilities. In the construction of new economic and technological development areas, plans should be worked out for housing, child-care centers, and schools for dependents of enterprise employees as well as facilities and networks for entertainment, transportation, and medical care. State-owned big and medium-sized enterprises should learn from the successful experience of the three kinds of foreign-funded enterprises and private enterprises in solving questions concerning external services.

Industry

Output of Main Chemical Products in September

HK1410112294 Beijing CEI Database in English
14 Oct 94

[FBIS Transcribed Text] Beijing (CEIS)—Following is a list of the output of main chemical products in September 1994, released by the State Statistical Bureau:

Item	Unit	9/94	9/93
Chemical fiber	10,000t	24.59	18.40
Sulphuric acid	10,000t	21.26	16.09
Dense nitric acid	10,000t	3.80	3.66
Soda ash	10,000t	48.16	44.93
Caustic soda	10,000t	35.25	31.83
Ethylene	10,000t	16.43	16.37
Calcium chloride	10,000t	25.28	23.70
Pure benzene	10,000t	6.76	6.98
Synthetic ammonia	10,000t	202.35	189.47
Chemical fertilizer	10,000t	194.69	170.44
(nitrogen)	10,000t	141.18	128.69
(phosphorous)	10,000t	51.42	39.90
(potash)	10,000t	2.13	1.62
Chemical pesticide	10,000t	1.91	1.44
Paint	10,000t	9.85	8.72
Dyestuff	10,000t	1.28	1.90
Chinese Patent medicines	10,000t	2.31	1.92
Tyre	10,000pc	692.56	585.76
Synthetic rubber	10,000t	2.81	2.29
Film	10,000m	731.00	270
(color film)	10,000m	731.00	270
Plastics	10,000t	27.08	25.65

Notes: t - ton, pc - piece, m - meter

Output of Major Mechano-Electronic Products in September

HK1410112094 Beijing CEI Database in English
14 Oct 94

[FBIS Transcribed Text] Beijing (CEIS)—Following is a list of the output of China's major mechano-electronic products in September, 1994 released by the State Statistical Bureau:

Item	Unit	9/94	9/93
Power equipment	10,000kw	222.13	256.87
AC motor	10,000kw	413.63	487.11
Industrial boiler	ton	8079.46	9704.00
Machine tool	10,000set	1.53	1.99
including:			
nc machine tool	set	396.00	662
precision machine tool	set	68	82
large machine tool	set	287	449
Automobile	10,000	10.98	9.08
including: bus	10,000	1.00	0.66
car	10,000	2.15	1.77
truck	10,000	5.16	3.95
Motorbike	10,000	43.58	29.36
Tractor(20hp/above)	10,000	0.53	0.15
Small tractor	10,000	11.31	6.68
Locomotive	set	97	85
including: diesel	set	66	65
steam	set	1	3
electric	set	12	17
Passenger coach	set	193	172
Freight wagon	set	2613	3260
Internal combustion engine	10,000kw	1002.01	741.30
Fishing ship		-	-
Civil steel ship	10,000ton	41.87	9.56
Computer	set	37	14
Micro computer	set	17235	12431
Color crt	10,000	114.30	85.79
Program-controlled switch-board	10,000set	108.41	114.41

Prospects for Textile Machinery Industry

94CE0716A Beijing JIDIAN RIBAO in Chinese
26 Aug 94 p 2

[Article by Liu Rende (2692 0088 1795), deputy director of the Technical Equipment Department, China Textile Association: "Current Situation In, Goals of, and Countermeasures for China's Textile Machinery Industry"]

[FBIS Translated Text] Textile machinery is a highly specialized industry of the greater electromechanical industry, and it is the technical and material foundation of

the textile industry. Since the founding of the PRC, the state, while focusing on the development of the textile industry, has attached extreme importance to the development of the textile machinery industry. The textile industry is China's traditional mainstay industry; it is closely linked to the people's life; its quantity is large and its range wide. According to statistics at the end of 1993, China's cotton spinning capacity was 41.8 million spindles, its wool spinning capacity was 3.3 million spindles, and its chemical fiber spinning capacity was 2.86 million tons, of which more than 90 percent of the equipment was produced and supplied domestically.

For 45 years, in order to solve the problem of the Chinese people "having very few clothes and quilts," the textile industry has supplied funds and export-earned foreign exchange for the country's construction, making remarkable achievements therein; and China's textile machinery industry has likewise made its proper contribution to the production and construction of the textile industry.

Current Situation and Disparities

After 45 years of development, China's textile machinery industry has gone from making repairs and supplying replacements to making main machines, has gone from producing single machines to producing complete sets of machines. It is now able to produce more than 2,000 types of equipment for spinning, weaving, printing, dyeing, dressing, fitting, and industrial article-making with cotton, wool, linen, silk, and chemical fiber. It has a production capacity of a little over 600,000 tons and forms a unique industrial system. In it now are a little over 1,700 production enterprises with 440,000 staff and workers, and fixed assets of an output value of a little over 7 billion yuan and an annual sales value of a little over 10 billion yuan. In both production capacity and production variety, this industry is in the first position in the world.

Following the continuation of reform and opening up to the outside world and the daily rising market demand for textile products, currently the main disparities in China's textile machinery are concentrated in three aspects: First, the new-type equipment urgently needed by the textile industry cannot be provided in full, thereby causing a large quantity of imported textile machinery to occupy the domestic market. In 1992 and 1993 alone, imported textile machinery (including equipment invested in by Chinese and foreign businessmen of the three kinds of enterprises that are either partially or wholly foreign-owned) amounted to a total value of 56.5 billion yuan in renminbi, which was about 2.5 times the income from the sales of Chinese-made textile machinery on the domestic market. Second, it has too many debts from technological transformation. Although in the Seven Five-Year Plan and the Eighth Five-Year Plan there was quite a lot of input in technological transformation, this input still could not meet the demand for developing and manufacturing new-type textile machinery, and the manufacturing level of textile machinery enterprises and textile equipment enterprises is backward compared to the level of the world's

developed countries. Third, its scientific research force is weak, scientific research input is seriously inadequate, the ability to develop on its own initiative is poor, and the capacity to digest and absorb foreign advanced technology is very poor. In addition, the factor of accessories, elements, and raw materials not being suitable causes many Chinese-made textile machines to lag on average about 15 to 20 years behind those of the world's advanced level.

Goals and Countermeasures

The main contradictions of the textile machinery industry are both the structural contradictions accumulated under the long-term planned economy system and the existing problems in the aspects of concept changes, enterprise systems, and operating mechanisms.

After study and discussion at the 1994 Industrial Work Conference and the Second Congress of the China Association for Development of the Textile Machinery and Equipment Industry, development goals and ideas for the textile machinery industry in the year 2000 were put forward. The overall demands were: The entire industry (including textile machinery enterprises that manufacture for the military, machinery, electronic, shipping, and agricultural systems) must, with the general goal of sustained, rapid, and healthy development, and with the focus on raising the level and quality of products, replace imports, expand exports, and improve competitiveness; the enterprises must improve their comprehensive quality, raise their level of administration and management, improve their economic returns, and gradually build themselves into modern enterprises with a fairly strong competitive force.

The specific goals may be summarized as "5-9-7-25," viz.:

By the year 2000 make the textile machinery and textile equipment enterprises, in line with the reform of the modern enterprise system, make up more than 50 [the "5"] percent of the large and medium-sized enterprises;

Get the technical level of the main Chinese-made textile machinery and textile equipment products close to or at the internationally advanced level of the nineties [the "9"];

Make the Chinese-made textile machinery's share of the market 70 [the "7"] percent as calculated by price; and

Raise the textile machinery and textile equipment proportion in export value from 11 percent in 1992 to 25 [the "25"] percent.

The all-personnel labor production rate (calculated according to total output value) rose from 25,000 yuan/person-year in 1992 to 50,000 yuan/person-year.

The main countermeasures to achieve the abovementioned goals are:

—Conscientiously accelerate the structural adjustment. The main purpose of a product mix adjustment is to cut down repetitive production of products at the same level or lower level the production capacity of which is greater

than the demand, and vigorously support the development and production of new-type textile machinery, in particular the automatic winding machine, the sheet-branching [pian zhizhi 3651 2655 2655] loom, the air-jet loom, the blow-carding [qing shu 3237 2752] integrated unit, the combing unit, the high-speed warping machine, and the sizing machine—all of which are listed in the Eighth Five-Year Plan as the state's key items. This is a major strategic measure relating to the modernization of the textile industry that the leading comrades of the State Council take a direct interest in, and the predetermined goals must, by all ways and means, be achieved on schedule. The focus of enterprise structure adjustment, while being put on enterprise reform, breaks through the boundaries of sector, region, and ownership; with famous brand products, superior enterprises, and well-known enterprises as the leaders, in accordance with the demand for complete sets of products, technological continuity, and specialized coordinated production, it chooses the superior to form complete sets, forms collectivized operations, and takes part in two-market competition. With regard to key backbone enterprises that have good returns and superior products, with key support in the aspects of technological transformation and payment for goods, they have been developed more rapidly and are gradually becoming the main force on the two markets. With regard to enterprises that have poor returns and backward products, and are powerless to extend credit for transformation, they should close down, stop production, amalgamate, or change their line of business. An effort should be made to raise the degree of industrial concentration. The adjustment of the internal organization structure of enterprises must closely integrate the experimental points fixed with the establishment of the modern enterprise system. We must open wide production operations, cut down on the number of second-line personnel, and further arouse the enthusiasm of all types of personnel. In the structural adjustment, we must pay close attention to the synchronous development of manufacturing and use, main machinery and auxiliary machinery, complete machinery and equipment, machinery and electronics, thereby ensuring the achievement of the overall levels of equipment and of the set import goals.

- Accelerate technological transformation, promote technological progress, and improve the competitive strength of enterprises. The amount of technological transformation funds poured into the textile machinery industry by the Seventh and Eighth Five-Year Plans greatly exceeded that of the past 37 years, but it still cannot be compared to that of the world's advanced textile machinery enterprises. For this reason, we must grasp the opportunity and strive to get the support of governments and banks at all levels, and attract and use foreign capital to continue to augment technological transformation and technology imports. This is so that in the textile industry the proportion of numerically controlled equipment in

large and medium-sized enterprises rises from the present 6 percent to 10-15 percent, and they strive to improve their digestion and absorption capability and to raise their technological level. Technological transformation must center on product development and market share, and must pay attention to integrating the advanced nature with the utilization nature, ensuring output after input. While improving the enterprises' development measures and raising their manufacturing level, and also gradually popularized computer technology to the year 2000, the large backbone enterprises in the textile machinery industry must widely make use of the CAD, CAM, CAPP technologies and the MIS system; accelerate the development of products and the cycle of their input in the market; and raise the enterprises' management level.

- Gradually set up a healthy textile machinery and equipment market system. The textile machinery market is a multilevel, omnidirectional system; the entire industry must be built into a three-in-one market center that gathers together trade, information, and technology and that guides the national market, leading the industry to promote business and sales at home and abroad, and helping the enterprises to develop markets. In market building we must pay full attention to setting up maintenance and service points in areas where textile enterprises are concentrated in order to provide convenience to the customer. We must strive to adjust many forms, like with internal market channels, vigorously develop new export domains, and take part in international competition. At the same time we must pay full attention to the requirements for equipment on the part of textile enterprises run by townships, towns, and villages, and concentrate efforts on being a "new force" in business and in sales and services. Under the guidance of the state's laws, regulations, and policies, the Textile Association and the Export Chamber of Commerce must enhance price coordination on the market; formulate industry regions and industry laws; oppose market monopoly and blockade; crack down on illegal operations; ensure that market competition is open, just, and fair; and display the market's promotional effect.

- Strengthen industrial management. Industrial management is inevitable in socialized large-scale production, and it is an indispensable link between the state's macroeconomy and the enterprises' microeconomy. At present the Technical Equipment Department of the Textile Association and the Joint Office of the China Textile Machinery and Equipment Association are trying to carry out industrial management under the operations of the socialist market economy system. The focus of this industrial management is: "make good industrial plans, implement the industrial plans, and carry out industrial guidance in order to provide services to the enterprises." We will strive, in line with doing good work on this requirement, to better serve the industry and the enterprises.

Strategy for Textile Enterprise Group

94CE0716B Beijing JIDIAN RIBAO in Chinese
26 Aug 94 p 2

[Article by Fang Ji (2455 0679): "Talking Freely About Strategy for Development of Group"]

[FBIS Translated Text] Editor's note: Following the gradual establishment of China's socialist market economy system, the study and determination of the strategy for enterprise development is having more and more of an important effect on the business activities of enterprises; particularly in facing the new economic order at home and abroad, for an enterprise it is extremely important how it judges the hour and sizes up the situation, and makes adjustments at the right moment, and how it studies and then formulates its own strategy for development. In this respect the China Textile Machinery Group has carried out useful explorations. Integrating with its own reality, it specially held a discussion meeting on the strategy for the group's development, at which it proposed a strategy for development that will cross into the 21st century. To put it briefly: In property rights effect the change to stocks, in organizational system effect the change to a group-like situation, and in operational guidance effect internationalization. Here we present below for the reader's benefit its development strategy and policy measures.

Mei Zaisen [2734 0961 2773], general director of the China Textile Machinery Group, at the discussion meeting on the group's strategy for development, said that consideration can be given to setting three kinds of strategic goals for development of the group: Set up a modern enterprise system; perfect the "mother and son" company system; through controlling stock and administering property rights, strive to achieve, at the end of this century and the beginning of the next century, an expansion of the 1.33 billion yuan in net assets that the group is authorized to administer and appreciate them to about 4 billion yuan; and with this control the administrative goals for about 10 billion yuan in total assets and bring about a highly efficient operation of state-owned assets. By setting up a modern enterprise system, we will accelerate the comprehensive process of getting the group on track with the international market; and by speeding up export-oriented development we will build the China Textile Machinery Group into an export-oriented, multifunctional large transnational corporation in which five things—science, industry, trade, finance, and culture—are concentrated in one body.

To achieve the abovementioned strategic goals, we are prepared to take two steps. First step: In the Eighth Five-Year Plan period, focus on making adjustment in the output mix, recombine the current assets, and form a "multifunctional, trans-sector, and multi-industry" industrial structure, so that critical, key products get close to or reach the international advanced level, causing the group's overall quality to mount a new flight of steps. Second step: By the end of this century and the beginning of the next century, focus on considering international operations and effecting an international strategy, so that the China Textile Machinery Group becomes a modernized large "transnational corporation." Therefore, the for the period

before the year 2000 is the simultaneous adjustment of the product mix and the industrial structure, achieving transnational operations and "one profession crack, many professions on the rise"; and step out of the country's gateway, charge out of Asia, and go into the world.

Specific strategic measures:

- Continue reform, and set up a modern enterprise system. Based on the group's "Experimental Point Plan" arrangements, from 1994 to the end of 1996, we will complete the reorganization of the group's corporation system and set up a modern enterprise system; thoroughly change the administrative mechanisms of all the enterprises within the group, and make the group a modern enterprise system and a principal part of the market, a group in which the property rights are clear, rights and responsibilities are distinct, government and enterprise are separated, and management is scientific.
- Make a strategic adjustment of the industrial structure, achieve trans-industry development, and promote the optimum disposition of resources. With science and technology as the guide, we must accelerate technological progress and the development of new products, so that the principal products attain the internationally advanced level; at the same time we must select several high science and technology projects and rapidly turn them into high science and technology industries, in an effort to increase our market share.
- While implementing the industrial strategy, textile machinery, as a mainstay industry, must even more pay a high degree of attention to product strategy. With regard to product strategy, each enterprise in a different situation, but we can consider this from the angle of the idea that "one superiority, two directions, and three levels." The "one superiority" is our superiority as a complete set. The group's product development is in wool, linen, silk, knitting, printing and dyeing, and adhesive-bonded cloth and in large products; also, through the unified organizing of the group's mother companies we will make them into a series and a complete set. The two directions for development of textile machinery products are: On the one hand, improve the stability, reliability, and suitability of the original products; and, relying on the good service of high-quality products, enhance markets, occupy markets, and open up markets. On the other hand, vigorously make use of high, new technologies; produce textile machinery products with high tech content; raise the products' add-on value; make full use of our superiority in talented persons and our equipment capacity, and produce textile machinery "de luxe products" that are on the internationally advanced level of the nineties. What is called an effort on "three levels" is: On the first level, strengthen and improve, upgrade and replace the original products; on the second level, with forming a complete set within the group as the goal, fill gaps and form series; on the third level, vigorously introduce and develop new products that are on the advanced level of the nineties, and fill in the gaps in China. Only by a synchronous development on these three levels can we cause the enterprises to have both a foundation for stable growth and prospects for opening up in the future.

—Lay stress on the training of talented persons and on implementing talent engineering. This includes:

First, increase the input of funds and accelerate the training of talented persons. We must make use of all forces in society to carry out regularized training. Select China's key universities and universities that have a fairly high degree of fame internationally to jointly set up training bases for high-level managers and technicians. Recruit outstanding, talented persons to replenish, after training, various important posts within the group. By the end of this century more than 70 percent of the leading cadres at the middle level and above in all enterprises within the group must have an educational level of a university undergraduate or higher; 90 percent of the factory-level leading cadres must attain the educational level of a university undergraduate or higher, and 50 percent of them must attain a master's degree or higher, forming a high-level, rational talent structure and a stratum of professional managers.

Second, enhance continuing education and strengthen on-the-job training. The existing managers, technicians, as well as the great number of staff and workers must, through continuing education, raise their level of knowledge and their standard of speciality; and depend on staff and worker universities to carry out on-the-job training for all types of cadres, depend on factory technician and worker schools to carry out on-the-job training in worker skills, in order to improve the quality of the entire staff and worker contingent.

Third, effect a policy tilt, and introduce from elsewhere high-level, proficient, top-notch talented persons. The group must set up a "warehouse of talents" in which are collected and stockpiled dossiers and information on all kinds of high-level special talents in China and among students studying abroad. The group must formulate preferential policies, and, in a focused manner with goals, invite and import some management experts and scientific and technological talents to come and work in our group.

—Make full use of self-administered import and export rights, and vigorously open up international markets.

The strategic goal of our group is to build it into a large, modernized transnational group. We already have self-administered import and export rights; and we must make use of this superiority to vigorously initiate international trade, open wide international markets, and strive to infiltrate international markets. Besides developing the International Trade Department into a department that has the operational strength to engage in all sorts of international trade activities, we must vigorously develop foreign trade operational departments of a regional nature within China, and further expand export undertakings and the scope of their operations. At the same time we must get a good grip on the setting up of organizations abroad, and establish in different regions some subsidiaries and branch companies abroad that have a foundation in products and comprehensive trade, thereby blending into one entity

international trade strategy and domestic trade strategy, so that domestic undertakings become a component part of international markets.

Foreign Trade, Investment

Economic Journal Views Clinton Trade Policy

94CE0785A Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 6, 1 Jun 94 pp 20-25

[Article by Song Changhong (1345 7022 5725): "Clinton Trade Policy Reviewed"]

[FBIS Translated Excerpt] President Clinton of the United States has advocated a fair trade policy ever since he assumed office. On the one hand, he welcomes the entry of foreign products and services into the United States market; on the other hand, he insists that American products and services be allowed to enter other markets on the basis of equality, or else Washington would take "appropriate" actions, even unilateral sanctions, to retaliate against the unfair trade practices of its trading partners. This form of fair trade has been perceived as the rise of trade protectionism, which runs counter to America's historical free trade policy. In fact, there is no such thing as a pure free trade policy or pure protectionist trade policy. After 1980, the U.S. trade deficit has soared, breaking the \$100 billion barrier in 1988 and hitting a high of \$170.3 billion in 1987. Although the trade picture improved slightly afterward, the deficit has remained enormous, making the United States the country with the largest trade gap in the world and prompting the Reagan and Bush administrations to work to expand exports and open foreign markets to American products as their trade strategy. Confronted with the heavy responsibility of reviving the U.S. economy upon taking office, Clinton made economic diplomacy the paramount pillar of his three-pronged foreign policy. With domestic and international politics interacting with each other, we can say Clinton has yet to formulate a coherent foreign trade policy. He has adopted the traditional policy in some ways and modified it in others. Now that the Uruguay round of trade talks has been brought to a conclusion, a new order will emerge. [passage omitted]

2. New Features and Trends of Clinton Trade Policy

The heart of Clintonomics is "active government participation" in economic affairs and his trade policy is profoundly influenced by the "strategic trade theory." Its outstanding features include the following:

1) Improving foreign trade in the most fundamental way, that is, by enhancing U.S. economic competitiveness. Clinton's trade policy is not limited to the use of "classical trade tools" to boost U.S. trade but sees the enhancement of America's economic competitiveness as the ultimate solution to the nation's trade problem. He has said that the key to making America more economically competitive lies within the country and pledged to zero in on new investment industries and job training programs like a "laser beam." As soon as he took office, he put forward a

host of reform proposals, including changes designed to stimulate private and public investment, overhaul the health care system radically, raise taxes and cut spending so as to trim the federal budget deficit, expand education and training programs, and improve the transportation system and the infrastructure. All these economic policies not only pinpoint what is wrong with the domestic U.S. economy but also go to the very heart of its trade deficit.

These are the fundamental causes of the persistently high trade deficit in the United States since the 1970's. First of all, between them its huge budget deficit and the low level of domestic reserves are bound to result in capital importation, which takes the form of a deficit in the commodity and service trade account. Second, many U.S. companies lack the vision to cultivate the overseas market long term. Third, the high-school graduation rate in the United States is 75 percent, compared with 95 percent in Japan. The United States under-invested in human resources. Clinton's reforms zero in on the three major ailments in the U.S. economy: budget deficit, investment deficit, and social deficit. Declaring his intent to be the "education president" in U.S. history, Clinton sets great store by human capital development and backs up his intent with concrete measures such as increasing educational spending, establishing a national testing system, and supporting joint research between universities and corporations.

2) Integrating industrial policy with trade policy and stepping up government intervention. The "strategic trade policy" assumes that the government is capable of using its industrial policy to further the nation's dynamic comparative advantage and relying on subsidies to enhance the competitiveness of its high-tech industry on the international market. A believer in the "strategic trade policy," Clinton attaches a lot of weight to the role of high technology in generating economic growth in the United States and is convinced that the development of high-tech industries will bring about high employment and good wages. Accordingly, he decided to shift the focus of government R&D investment from military industries to civilian technology. A number of high-tech industries were selected for protection and support to maintain America's edge in the high-tech field. A decision also was made to ease controls on U.S. high-tech exports and transform science and technology into America's more competitive products and services on the world market as a way of countering the ever-growing competitive challenge from Japan and Europe. In contrast, the Bush Administration relied on market forces and allowed enterprises to determine the direction of industrial development on their own. There was essentially no such thing as an industrial policy under Bush.

3) Vigorously opening up the Asian Pacific markets and seeking to create an open Asian Pacific economic and trade system. With 40 percent of the world's population and 50 percent of its total GNP, the Asian Pacific region is currently the most dynamic place in the world. Asian Pacific regional cooperation, now all but inevitable, is

bound to become the engine of the global political economy. As economies around the world languish in recession in the 1990's, the Asian Pacific Rim is the lone booming region and the whole world has taken note. According to data provided by the Heritage Foundation in the United States, bilateral trade between the United States and the 15 member nations of Asian Pacific Economic Cooperation [APEC] amounted to \$534 billion, far higher than the \$265 billion in U.S. trade with Canada and Mexico or the \$227 billion in its trade with Europe. Robust economic growth in the Asian Pacific Rim has created all sorts of business opportunities. Faced with an economically ailing Europe and a booming East Asia, Clinton decided to pry open the markets in the latter and put the economic vitality of the Asian Pacific region to use to help revitalize the U.S. economy. On many an occasion he has emphasized that "over half of the jobs in the United States depend on trade and that 40 percent of trade is with the Asian Pacific region."

Clinton delivered two important speeches during his visit to Asia in July 1993, one at Waseda University in Japan and the other to the South Korean National Assembly. In his Waseda speech, Clinton systematically spelled out his strategic vision of a "new Pacific community" and called for the convening of an APEC summit meeting. He proposed turning APEC into a more formal organization of regional cooperation and establishing an open economic and trade system in the area. The truth of the matter is that America wants to use APEC as a launching pad to catapult U.S. corporations into the region's markets, targeting areas where the U.S. deems itself to be competitive, such as aircraft, telecommunications, and banking. APEC's fifth ministerial meeting and its first unofficial summit took place in Seattle between 17 and 20 November 1993 under the auspices of the United States, the most striking manifestation of the Asian-Pacific shift in America's economic strategy. "We have gone further to focus on the Pacific region than any other U.S. administration." (U.S. Secretary of State Warren Christopher's remarks to a reporter from FIGARO, a French newspaper, on 24 November 1993). As the United States had hoped, the meeting discussed mainly economic issues and adopted the "Trade and Investment Framework Declaration" and a joint communique which stressed that open trade and investment are the cornerstone of APEC's existence and functions and that an open bilateral trade system is the foundation of regional economic cooperation. After the conference, Clinton told the nation in a televised speech, "Increase America's market share in this region by 1 percent and jobs will be created for 300,000 people. We must therefore do our level best to establish a fair trade relationship with Japan and eliminate China's trade barriers in earnest." It is clear the United States is trying desperately to turn the Asian Pacific region into a powerful free market for itself.

Financial and political problems in Russia and the security issue in Eastern Europe in 1994 have compelled Clinton to reassess the importance of Europe, but this does not mean that the United States will lose interest in the Asian Pacific

region. With only modest growth projected for the economies of developed nations in the West in 1994, American exports to EC will hardly increase at all. The Canadian economy may expand marginally, not more than 2 percent. But it is an entirely different story in the Asian Pacific region, especially East Asia. The "four mini-dragons" are all set to experience even faster economic growth than in 1993, fueled not so much by exports to the West as by Western investment, domestic consumption, and intra-regional trade. As for countries like Malaysia, Indonesia, and China, their economic growth is even more rapid. Despite White House's designation of 1994 as "Year of Europe" and its ballyhoo over it, Washington remains deeply convinced that "no other region in the world will be more important than the Asian Pacific region now or in the future." If the United States wants to stay a superpower, it must do its utmost to join forces with the Asian Pacific economic and political bloc, the most important grouping in a multi-polarizing world, to stand up to EC and to compete for initiative with Japan and ASEAN.

3. Evolution of Clinton Policy

The successful conclusion of the Uruguay round of negotiations ensures the survival of the international free trade system and signals the failure of trade protectionist forces. Where is Clinton's trade policy, whose main objective is fair trade, headed? Will it return to the fold of free trade, or will it tilt toward protectionism?

First of all, there is no such thing as pure free trade or pure protectionism. Clinton would continue to follow the so-called "middle course," possibly leaning more toward protectionism. This is why.

1) The global trade agreement falls short of achieving its objectives, which may touch off a new trade war. The 450-page Uruguay agreement has been touted as the most ambitious effort yet to dismantle protectionist trade barriers. Nevertheless, it simply sidesteps many trade barriers and excludes four major service industries: movies, films, and records; finance; telecommunications; and shipping. As far as financial services are concerned, the United States prefers a "bilateral preferential system" under which it would grant most-favored-nation treatment to those countries which open their own financial markets. With Japan and some Asian countries rejecting this proposal as a discriminatory trade policy, many internationally competitive U.S. banks and securities companies are barred from foreign markets. Then there is the movie and record industry. With France in the lead, the EC insists that some trade barriers remain in place to protect Europe from a flood of American films, television shows, and tapes. Expressing his "indignation" over the French position, Jack Valenti, president of the American Motion Picture Association, has chided the EC for its "calculated protectionist behavior." "With its exclusion of film and tape products, I don't know what else is there." Trade Representative Mickey Kantor vowed solemnly to continue to use "all possible means" to pry open the European markets for America's movie and recording industries, a

struggle that may well begin even before the ink on the global trade agreement has dried. Given the EC's rigid no-compromise position, nothing will come out of further negotiations. In the end the United States may threaten to slap high tariffs on European products, precisely the kind of trade war the new GATT agreement is designed to avoid.

2) America's trade deficit will continue to deteriorate, making the benefits of free trade pale in comparison. America's longstanding trade deficit will worsen further. After hitting a whopping \$136 billion in 1993, it has stayed stubbornly high through 1994 for the following reasons. On the one hand, economic recovery at home has boosted the demand for imports. Meanwhile, economic downturn in Europe and Japan has dampened their demand for American goods. On the other hand, the Uruguay trade agreement does not include any specific provisions that would require Japan and China to eliminate their non-tariff trade barriers. Even where historic changes are made, for instance, Japan's decision to lift its ban on rice imports, the degree of market opening is actually very modest. No doubt all this will continue to limit U.S. exports; U.S. trade deficits with Japan and China account for 70 percent of the total imbalance in its commodity trade account. Furthermore, although services are now within the purview of bilateral trade regulations for the first time, a number of service industries where the United States is competitive are still riddled with trade barriers. Accordingly the U.S. trade deficit will continue to widen, making any benefits it derives from the global free trade system pale in comparison.

3) The domestic economic situation remains tough, leaving Clinton little room to maneuver diplomatically. Clinton has churned out a string of fairly radical reform plans to deal with the challenge of multi-polarization and diversification in the world, particularly the grim challenge from up-and-coming countries like Japan and Germany. However, his reform plans have encountered unprecedented resistance; big business feels that its interests have been violated and the Republican Party is working to block them. As a result, very few of his proposals have actually been implemented. His economic stimulus package, for instance, has collapsed, his health care reform plan is still being debated endlessly, and his plan to raise taxes and cut the deficit is facing obstacle after obstacle. Although the U.S. economy is on the mend, having entered a new cycle, "the economy has not yet staged a full recovery and we still have a long way to go," as Clinton put it. Most strikingly, job growth has remained sluggish. Large corporations are still undergoing restructuring and continue to lay off workers. People who have lost their jobs have trouble finding employment in other fields for lack of vocational training. Clinton has long recognized the close link between trade and employment. The U.S. trade deficit is a drag on the domestic economy. Clinton will certainly stick to his original trade policy steadfastly and is working on Congress to give it more power to handle future trade negotiations.

4) The global trade system has not been completely liberalized; French peasants who espouse a radical form of protectionism still have plenty of company. The United States, therefore, is not about to change its trade policy and objectives solely on account of some document, that is, the GATT agreement. On the contrary, the Uruguay round is only a tool with which to advance its trade policy. Be that as it may, we must see that owing to the efforts of developing countries as well as the mutual checks-and-balance among developed nations, the Uruguay agreement includes provisions such as the creation of a new multilateral trade body which will deprive the United States of two of its most potent trade weapons: its power to impose anti-dumping taxes and the "Special 301" article. This inevitably will prompt Washington to look for a new trade strategy and measures. What can be said with certainty is that with his mind set on opening up new markets around the world for U.S. products, President Clinton will be even more aggressive in the days ahead and that he will not change his "carrot and stick" approach to trade. Responsible editor: Fan Xinyu [5400 2450 1342]

MOFTEC Daily Series Views Antidumping Issue
94CE0695A Beijing GUOJI SHANGBAO in Chinese 9,
10, 12, 13 Jul 94

[Article in four installments by various authors]

[9 Jul 94 p 1]

[FBIS Translated Text] Introduction

Completely understanding anti-dumping and fully increasing Chinese firms' sense of responsibility about filing rebuttals to anti-dumping lawsuits are particularly necessary today when foreign anti-dumping charges against China are becoming increasingly intense.

This newspaper's publication of "a series of reports on the anti-dumping issue" is an effort to create an anti-dumping milieu that causes more people to pay serious attention to the anti-dumping issue.

China has faced hundreds of cases in which foreign countries have leveled anti-dumping charges. Unfortunately, more and more exporting concerns have been confronted with anti-dumping cases, and more unfortunately, we have won only a few but lost many.

Anti-dumping charges are unavoidable. Deliverance is via only two routes: One is actively filing rebuttals to win; the other is maintenance of a good export order to avoid anti-dumping charges.

The Ministry of Foreign Economic Relations and Trade [MOFERT], every import-export chamber of commerce, every foreign trader investment enterprise association, and every enterprise that has filed a rebuttal have done much work in rebutting anti-dumping suits against China; nevertheless, many problems remain in this regard. The emphasis of this series of reports will be on these problems.

After GATT issued regulations in the nature of principles about anti-dumping in 1947, signatory nations framed two "Anti-dumping Regulations" in 1967 and 1979, which made anti-dumping a part of uniform regulations on international trade. The GATT Uruguay round that concluded at the end of 1993 framed a new round of anti-dumping principles. These completely amended the anti-dumping regulations of the Tokyo round for a further strengthening of anti-dumping measures. With the further decline in tariff rates worldwide, and the gradual removal of limitations on quantities of products such as textiles, it seems likely that the anti-dumping limitations on exports that GATT allows will be steadily increased. Anti-dumping will be a long-term issue in international trade.

During the 15 years since 1979 when China's saccharine exports were first investigated for anti-dumping by the EC, more than 160 anti-dumping investigations of Chinese exports have been conducted abroad. Except for the suits that the other parties have withdrawn, an overwhelming majority of cases ended either with the importing country levying an anti-dumping tariff, or the Chinese exporting company raising prices or reducing the amount exported. During the past two or three years, foreign anti-dumping charges against China have increased dramatically. In 1993 alone, foreign countries filed 37 anti-dumping suits against China, and during the first half of 1994, 14 suits have already been filed. Anti-dumping has become a major harassment to China's export trade.

Summarization of the situation during the past several years shows foreign anti-dumping charges against Chinese exports to have five features:

1. The number of countries filing anti-dumping charges against China shows a gradual spreading trend. During the 1980s, it was mostly developed nations in Europe and the Americas such as the United States, the EC, and Canada that filed anti-dumping suits against China. With the advent of the 1990s, Asian countries including Japan, South Korea, and India, Latin American countries such as Mexico, Argentina, and Brazil, and African countries such as South Africa and Nigeria also joined the ranks, one after another. One might say that anti-dumping affects virtually every one of China's markets.

2. Foreign anti-dumping charges against China affect an ever increasing number of products. Some traditional, staple export products are facing a dangerous situation. Chinese products that foreign anti-dumping charges affect are textiles, clothing, light industrial wares, household appliances, hardware, chemical industry products, minerals, pharmaceuticals, agricultural products, etc. These include virtually all of China's main export categories. Anti-dumping suits have been brought many times against best selling exports such as textiles, clothing, and light industrial goods. Problems are rather glaring. In 1992, Latin American countries headed by Mexico and including Chile, Argentina, and Venezuela leveled large scale anti-dumping charges against several major categories of Chinese products, each category including several hundred or up to a thousand different products.

3. Anti-dumping charges have been leveled repeatedly against important Chinese exports. Tungsten products, shoes, and bristle brushes, which are traditional, staple exports have been the objects of many anti-dumping charges by a single country.

4. Within a short period, some exports have been cited for dumping in a succession of countries thereby setting off a domino chain reaction. This has happened to bicycles, pencils, shirts, and coumarin. Consequently, they have been hemmed in.

5. Foreign governments take discriminatory anti-dumping actions against us, applying a uniform tariff rate to a given product no matter the actual export price, and this tariff rate is very high. The United States, for example, imposes a 127 percent tariff rate on Chinese nodular cast iron, and Mexico levies a high 1,105 percent anti-dumping tariff on Chinese export shoes, an all-time record in international anti-dumping tariffs.

Reasons for the rising trend in anti-dumping charges against Chinese exports are numerous. They include both importing country protectionism and discrimination in anti-dumping charges against us. Other reasons include the rapid increase in our exports, our poor management of exports, overly low export prices, disorderly procedures, and Chinese firms failure to make vigorous rebuttals.

As China's export trade continues to develop, foreign anti-dumping charges against our exports will likely increase. Foreign trade enterprises, producing firms, import-export chambers of commerce, and departments in foreign economic relations and trade should pay more serious attention to this trend. They should treat anti-dumping as a major issue in foreign trade to ensure that China's export trade develops in a healthy and steady fashion.

Anti-dumping cannot be treated lightly.

[10 July 94 p 1]

[FBIS Translated Text] When everybody plants trees, everybody can enjoy the shade." The following is a rousing call that this newspaper has issued to the many people who stand idly by when China files rebuttals to anti-dumping suits: "You standing there with folded arms! Extend your arms to "plant trees!"

The reason for further discussion of "when everybody plants trees, everybody can enjoy the shade" is to analyze in detail five muddled notions that exist about rebuttals so that Chinese concerns clearly understand that only when they fully perform their obligation to "plant trees" do they have the right to "enjoy the shade." When everybody makes a rebuttal, everybody benefits.

First, look at the ecological environment before trees are planted. Nine words sum it up: "the winds blow unchecked and the rains fall unregulated." The anti-dumping charges against China of many nations are like a blazing sun in the sky. The United States, and the EU take the lead, and

Mexico, South Korea, Japan, South Africa, and India follow on their heels. More than 100 different Chinese exports are being buffeted by storms.

Despite the "burning sun" of high anti-dumping tariffs, many firms take the following attitude about rebuttal suits: Hunker down together in a small building, and hang a truce flag outside the door. Little do they realize that a truce flag made of ice will melt once the sun shines.

Truce flag 1: Meet countless changes with no change. If a commodity is lost, it makes no difference. There are always other export commodities. Actually, if a single hair is plucked from oxen each day, ultimately all the hair will be gone. The same principle applies to anti-dumping charges. In most cases, the commodities enjoy brisk sales and have a substantial market abroad.

Truce flag 2: Shoot and change position. When one country files an anti-dumping suit, cut and run. Swarm into another country. The trouble is that when anti-dumping suits catch up with you, you'll find yourself besieged on all sides.

Truce flag 3: When foreign countries practice trade protectionism, winning an anti-dumping suit is difficult. If one plants trees but cannot enjoy the shade from them, one might better not plant trees. Some people in foreign countries have figured out that certain Chinese concerns have such a psychology; consequently, their anti-dumping suits succeed.

Truce flag 4: I did not compete on low prices; it was others who screwed up the export system. So why should I contest a suit? When a city gate catches fire, can the fish in the moat escape?

Truce flag 5: Let someone else contest the suit. If they win, I'll benefit. Such people are the so-called easy pickings people who stand with arms folded. The harm that these people do to Chinese rebuttal of anti-dumping charges is great. First of all, because companies fail to rebut suits, foreign countries levy a high tariff on the pretext that the Chinese party is unwilling to cooperate. Second, when the Chinese side wins a case without paying damages, because they themselves did not go through the travail of rebutting the suit, the "arm folders" do not value the markets that were lost and regained. They may often set off a new round of "killer price" wars. That is not planting trees; it is destroying trees.

When no one files a rebuttal, that spells the end of exports. If a single firm sits with arms folded, one must be very concerned about the rebuttals that have already been filed.

Put away the truce flags!

There is only one way out: It is necessary to "plant trees," and everyone has to "plant trees" together. There can be no individual "tree planting." Nowadays the practice is for each firm to hire its own lawyer to fight alone. Usually the results are not apparent. Such people do not understand one truth, namely that if one person plants a tree, all that

results is a single tree, and a single tree cannot hold up the sky. But if everybody plants trees, many trees form a forest. How can the survival rate of a single tree compare with the vitality of a forest!

The MOFERT-published anti-dumping regulations on contesting suits instruct that all firms whose exports are cited for dumping within the investigation period shall file rebuttal, shall contest suits for commodities against which dumping charges are made, import-export chambers of commerce and foreign trader owned firm associations being responsible for organizing coordination.

When a Chinese firm files a rebuttal to a foreign anti-dumping case, it has the support of the Chinese government. When discrimination is found in a foreign anti-dumping case against China, the Chinese Government is to make representations through various means to the foreign government. Minister Wu Yi [0702 5030] made a special explanation of the Chinese Government's three standpoints on this matter:

One, China opposes low price dumping; two, he wishes that foreign government would abolish the substitute country method in anti-dumping investigations; and three, attractive but inexpensive Chinese commodities should not be deemed to have been dumped at low prices. The efforts of the Chinese Government have caused the U.S. Department of Commerce to cancel the discriminatory uniform ruling in several recent anti-dumping lawsuits, and make a separate ruling on each instead.

For both import-export trade companies and production plants, and for township and town enterprises as well as the three kinds of partially or wholly foreign-owned enterprises, the rebuttal of dumping charges are a duty and an obligation.

[12 Jul 94 p 1]

[FBIS Translated Text] For many years, foreign anti-dumping cases against Chinese exports have been under the unified direction and supervision of the authorities in charge at MOFERT. In coordination with the import-export chambers of commerce, and foreign-owned enterprise associations concerned, and with the cooperation of foreign economic relations and trade committees and economic and business agencies stationed abroad, foreign trading firms and production enterprises involved in cases have hired lawyers to contest foreign suits. Although the outcome of some of the anti-dumping cases contested during the past 15 years has been ideal, overall a fairly large number of problems remain. The main external problems are as follows:

1. Information channels do not function. Information about anti-dumping charges and the filing of legal cases is not received quickly in China. Thus, rebuttals to charges are not filed on time. A case in point was the Brazilian electric fan anti-dumping case about which information was not received until 2 months after the investigation began. This was very disadvantageous to the filing of a rebuttal.

2. The anti-dumping charges against China of some countries are extremely unfair and discriminatory, making the filing of a rebuttal suit very difficult. This is expressed mostly, and with extremely few exceptions, in most countries continuing to regard China as a non-market economy country or as a centrally planned economy country. Thus, they do not figure the normal value of Chinese products on the basis of domestic sale prices, but use instead third country, unpredictable, or even completely incomparable prices that the importing country selects more or less arbitrarily. They use these prices as the basis for calculating normal value to determine whether Chinese products are being dumped. For example, the EU has used the United States, Norway, and Germany as substitute countries for China, and the United States has used France, Italy, Switzerland, Japan, and Canada as substitute countries for China. Recently, the EU and the United States have used China's state ownership of enterprises as a reason for imposing a uniform anti-dumping tariff rate on all Chinese enterprises involved in litigation. (The United States has mostly recently relented). Certain Latin American countries, of which Mexico is representative, are very discriminatory and arbitrary in lodging anti-dumping charges against China. Mexico, for example, announced it would not accord "certificate of damage" treatment in Chinese product anti-dumping cases. Chile and Venezuela do not even abide by the most basic procedures and regulations in Chinese anti-dumping cases. The discrimination and unfairness that exists in these countries anti-dumping charges against China seriously dampens concerns interest and confidence in filing suits to contest the charges. This causes very great difficulties for the task of getting firms to file rebuttal suits.

Internally, problems in filing rebuttal suits are also rather serious.

First of all, once an anti-dumping case occurs, it is difficult to find immediately the concern involved in the case. This causes delays in making a rebuttal, which means missed opportunities. This stems from the incompleteness of China's trading system in which specific goods, and specific exports are very difficult to trace. This problem is particularly glaring when exports go through many entrepôts. In addition, many exporting firms and numerous producing firms are spread all over the country. This is particularly true for firms producing some completely decontrolled goods like shoes and toys. When an anti-dumping case occurs, it is like looking for a needle in a haystack. The firms are difficult to locate.

Second, some firms do not much care about rebutting anti-dumping suits. They know that they are the ones involved in the case, but they are unconcerned. They pay no heed to the notices they receive from government departments in charge, chambers of commerce, and associations about filing a rebuttal, or they trot out all sorts of reasons for doing nothing. They may say that they do not export much, or that they cannot afford it, or some even state openly that they no longer want the market concerned. Some export concerns "shoot and change position" in a guerrilla warfare style of doing business. They

are unconcerned about developing a market over a long period; they lack the slightest sense of responsibility. These problems cause all sorts of difficulties in organizing a rebuttal in very many cases. They are very difficult to initiate, and in some cases no one files a rebuttal. This problem is particularly apparent in some places that are not major export markets such as Latin America, and in cases where export volume is relatively small.

Third, although many parties work to organize rebuttals in many cases, some problems still exist such as the lack of personnel specializing in anti-dumping law, unfamiliarity with foreign anti-dumping laws, and not knowing how to proceed. When an enterprises' ledgers are not in good order, or no complete accounts are kept, filling out questionnaires and permitting the books to be examined poses very great difficulties. Usually firms are not prepared for anti-dumping cases. They do not pay close attention to investigating and studying the markets in which they do business. They know nothing about the retail prices of similar products in other countries, or after an anti-dumping case occurs, they are unable to make counter recommendations about substitute countries and substitute prices. They are powerless to enter a counterplea. In some cases, the rebutting concerns wage individual wars. They put up a piecemeal defense against the outside world, and they spend enormous sums, yet results are not ideal. The EU bicycle case was an example. Although they filed rebuttal suits, some concerns did not pay their lawyers promptly. In some cases, they delayed paying the lawyers for a long time or even for several years. This hurt the reputation of Chinese concerns.

Fourth, follow-up work on anti-dumping case rebuttals is poor. The constant demand of importing chambers of commerce, foreign owned firm associations that "those who file rebuttal suits must be the ones to benefit" has proven impossible to apply up to the present. This has genuinely hurt the interest of some concerns in filing rebuttals. Even more serious, lack of follow-up work in the wake of an anti-dumping rebuttal hurts the results that firms obtain from rebuttals. Recently, China won a no damages verdict in an American silicon carbide anti-dumping case, but at the same time, a new fall in the competitive price of silicon carbide exports began. In this situation, it is very difficult to say that results gained from winning the suit recouped the cost of winning it. In some cases in the EU that were concluded after the Chinese parties agreed to charge certain prices, China's export firms were frequently found to have exported at low prices in violation of their promise. This seriously hurt the reputation of Chinese concerns. It also resulted in an increasing unwillingness in the EU to accept price promises as a solution to anti-dumping cases against China.

Many reasons account for the problems in the above anti-dumping rebuttal suits. In response to discriminatory and unfair anti-dumping charges against China, the Chinese parties concerned have consistently made representations on just grounds, and they have made a certain amount of progress. As for the internal problems, some are

attributable to foreign trade system reasons, and some to enterprises' administration and management. Consequently, solution to these problems requires the joint efforts of government agencies and business concerns.

[13 Jul 94]

[FBIS Translated Text] Zhou Shijian is deputy director of MOFERT's International Trade Institute.

Twelve years ago, Zhou Shijian served as a second secretary in the commercial section of the Chinese Embassy in the United States. After a time, Commercial Counsellor An Dong [1344 2639] assigned him a task: a lawsuit—the American canned mushroom anti-dumping case against China. This was the fourth anti-dumping case that the United States brought against China, but by the time he left his post to return home in 1986, the number of such cases had grown to 13.

Very fortunately, Zhou Shijian became China's first person to take part in an anti-dumping rebuttal case. His background in foreign trade and his ability to speak English enabled him to explain U.S. anti-dumping laws, procedures, and institutions to China in a trenchant and timely fashion.

Having personally taken part in the canned mushroom and other cases, and as a result of what he has learned after many years, the topic about which Zhou Shijian cares most is discriminatory methods existing in U.S. anti-Chinese dumping cases.

"The greatest discrimination is to regard China as a nonmarket economy country, using substitute country prices in the handling of anti-dumping cases," he explains.

United States anti-dumping laws permit market economy countries to use the domestic market price of their products as a fair price. Exporters from these countries know very well whether the prices of goods they sell in the United States constitute dumping. However, there is no way for Chinese exporters to know in advance at what level they must set prices in order to avoid a lawsuit. The United States Department of Commerce artificially seeks a "fair price" for Chinese exports based on the price in a third country. Before finding this substitute country, neither the Department of Commerce nor the International Trade Commission, not to mention China, know what a "fair price" is.

Obviously, a very great amount of unpredictability exists for China in United States anti-dumping laws, but how can one abide by unpredictable laws? This is like driving on a highway without speed limit signs. You may feel that driving at 75 kilometers an hour is not speeding, but a policeman tells you that he feels that more than 70 kilometers an hour is speeding and carries a fine. Furthermore, he issues you a citation!

The United States Department of Commerce has very great discretion in its choice of a "substitute country." It

frequently goes far afield in its choice of different substitute countries and in figuring out the extent of dumping. Like using an elastic ruler to measure something, measurements are longer when elasticity is good. When elasticity is poor, measurements are shorter. Accuracy is lacking. When a second country is charged, the arbitrariness of substitute country prices shows up even more clearly. In a cast iron case, the U.S. Department of Commerce chose Japan and Switzerland as substitute countries, ruling an 11.66 percent dumping price. At the same time, in an anti-dumping investigation of an Indian cast iron case in which the price was about the same as the Chinese price, no existence of dumping was ruled inasmuch as India is a market economy country for which the internal price is a fair price. When the outcome is different for the same product that countries at about the same level sell in the American market, is that fair?

"Another form of discrimination is not to regard China's export commodity prices as reasonable, but handling them as dumping cases."

One of the principles for pricing exports is to set the price according to value—a high price for premium quality, and an inexpensive price for low quality. Many of China's exports are unsuitable and lack competitiveness in the American market in terms of their quality, specifications, design and color, and packaging. They cannot be sold at any price. Nevertheless, the United States Department of Commerce rarely takes into consideration quality factors in comparing prices.

In addition, trading conditions have a very great influence on prices. Because of long delivery times and payment conditions that inconvenience customers, Chinese exports cannot be sold at a good price, but the Department of Commerce does not take this into account in its investigations.

Even more serious is that the United States entirely disregards the comparative cost advantage that China enjoys in the form of the low price of Chinese manpower, and raw and processed materials. Even if the price of Chinese exports is lower than the domestic price, if it is lower than the foreign cost of producing it, it is treated as dumping.

The unfairness to China of U.S. anti-dumping laws, even some American entrepreneurs and lawyers recognize. U.S. methods are not consistent with actual circumstances in China. Thanks to the joint efforts of persons in both countries concerned with Sino-American trade, the United States' "1988 Comprehensive Trade Law" reflects the call for fair trade between China and the United States. This law provides explicitly as follows: It asks the Secretary of Commerce to study the trend in China's new market mechanism, and the effect of this trend on China's market policy and price mechanism. It asks that amendment of America's anti-dumping law be studied to make it more consistent with the necessity for clauses that apply to conditions in countries such as China that are making a transition to a market economy.

Some positive changes are occurring today in America's anti-dumping cases against China. In the silicon carbide case, the United States once again applied separate rulings. Nevertheless, complete elimination of unfair methods will require the joint efforts of the governments of both countries, and persons engaged in economic relations and trade.

MOFTEC Daily Views Anti-dumping, II

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14, 15, 17, 20 Jul 94, p 1

[Article by Correspondent Jin Jianhang (6855 1696 1344):
"American Firm Makes Three Murderous Attacks"]

[14 Jul 94]

[FBIS Translated Text] There are two potholes on the Chinese products export road. The first is anti-dumping and the second is anti-subsidy. The experts say: You have to look ahead and you have to look beyond."

On a hot summer morning in 1994, representatives from 10 cigarette lighter producing or exporting firms throughout the country were knitting their brows. Before them lay an anti-dumping complaint from the United States containing the following paragraph:

"The United States Secretary of Commerce is of the opinion that so long as China remains a nonmarket economy, the Department cannot conduct an anti-subsidy investigation of China. However, should anti-dumping investigation reveal that economic reform has reached the point where China may be regarded as a market economy, the anti-subsidy law may be applied to a sector or the country."

Possibly the firms that produced cigarette lighters did not know that firms producing electric fans had learned that anti-subsidy followed closely on the heels of anti-dumping. It was just that instead of acting like a gentleman, the party bringing suit in the electric fan case declared war. Seeing that an anti-dumping suit would not work, he filed an anti-subsidy suit, thereby catching the Chinese electric fan industry off guard. This was because this was the first anti-subsidy case brought against China since 1983, and it was also the first anti-subsidy case against a nonmarket economy country since the 1986 Georgetown iron and steel case.

Please note especially that anti-subsidy charges arose out of anti-dumping. Therefore, in a summary made after the case, Wan Derun, director of the household electrical appliances branch of the Chinese Electro-mechanical Import-Export Chamber of Commerce and head of the electric fan case defense team, particularly emphasized the need to view anti-subsidy and anti-dumping as a trade event in an overall war.

The electric fan case troubles began on 31 October 1990 when the U.S. Lasike [phonetic] Corporation accused China of dumping low-priced electric fans in the United States, and asked the United States Government to impose

a 15.7 to 165 percent anti-dumping tariff on Chinese oscillating fans, and a 10.9 to 21.4 percent tariff on Chinese ceiling fans.

In response to active response and demurrers from the Chamber of Commerce, the firms, and lawyers, on 21 October 1991 the United States Department of Commerce announced a final ruling: Following separate adjudication, the average anti-dumping tariff was set at 2.16 percent for ceiling fans and 0.99 percent for oscillating fans. The final ruling favored China.

Unwilling to take failure lying down, on 17 October 1991, Lasike Corporation filed another law suit in advance of the Department of Commerce ruling. In this law suit, Lasike charged Chinese Government subsidization of ceiling fans and oscillating fans. The reasons it cited came from, of all places, the materials that the Chinese firm had presented in its defense.

In order to win separate rulings to lower the anti-dumping tariff rate, in filing the electric fan anti-dumping case, the Chamber of Commerce and the firms cited the character of the industry in China, highlighting the market mechanism. They noted specifically that eight of the 11 firms accused of dumping were collective enterprises, and one was a joint venture enterprise. All were responsible for making their own operating decisions and for their own profits and losses. Further, electric fans were not national plan products; they had been decontrolled.

It was then that the electric fan industry realized that emphasizing the market mechanism acted like a two-edge sword. It cut them free from one difficulty only to get them into another. By dispatching anti-dumping, they opened themselves to anti-subsidy charges.

Anti-dumping "injury" goes to the heart of matters: If government subsidization can be proven to exist, an anti-subsidy tariff may be levied.

On 22 November 1991, the United States Department of Commerce formally presented through the United States Embassy an anti-subsidy investigation questionnaire to the Chinese Government, and to state-owned, collective, and three kinds of partially or wholly foreign-owned fan-exporting enterprises.

The Ministry of Foreign Economic Relations and Trade [MOFERT] viewed this case extremely seriously. Ministry leaders personally took part in organizing a defense coordination team, the members of which included the General Administration of Customs, the State Council Special Economic Zone Office, the State Administration of Foreign Exchange Control, the State Administration of Taxation, the State Land Administration Bureau, the Chinese People's Bank, the Bank of China, and the Ministry of Labor.

Everyone was very much aware that this case was the first anti-subsidy case against China since 1983. If the ruling was unfavorable for China, a chain reaction would be bound to occur. This would not only seriously damage

electric fan exports to the United States, but might also hurt other product exports. It could also produce a negative effect on China's importation of foreign capital.

They had another reason for winning. The defending companies had put large amounts of manpower and money into overturning the anti-dumping charges, finally winning a lowering of anti-dumping tariffs to between 0 and 2 percent. If they were unable to win the anti-subsidy law suit, their previous achievement would be nullified.

Their backs to the wall, they had to win!

Another round of preliminary rulings, investigations, hearing of testimony, and a final ruling occurred. On 1 June 1992, the U.S. Department of Commerce announced that the anti-subsidy law does not apply to Chinese electric fan industries.

This round proved that China's electric fan companies are of the mixed economy type. It highlighted their non-market orientation. The two-edged sword turned into a pancake.

Next, on 18 May 1992, the constantly battling, constantly losing Lasike Corporation presented to the U.S. International Trade Commission 406 cases involving China's shipment of oscillating fans to the United States. These so-called 406 cases, it termed market disruption cases within the meaning of a section of Chapter 4 of the United States' 1974 trade law, which was aimed specifically at socialist countries. If a country's exports shot up rapidly causing injury to American industry, the president of the United States could raise tariffs on that country's products or impose quotas. The Lasike Corporation withdrew this case itself, bringing it to a conclusion.

China has gone through three trials on the electric fan case with no final conclusion having been reached as yet. Now the Lasike Corporation has asked the United States Department of Commerce to make an administrative review of the ceiling fan case. It is still unwilling to accept the Department of Commerce ruling, and it has filed suit in a United States federal court. In April 1994, the United States Department of Commerce once again sent out "nonmarket economy orientation" investigation questionnaires.

One incontestable fact is that China is in transition from a planned economy to a market economy, and the establishment of a socialist market economy has been included in its constitution.

There can be no doubt that China must defend itself against anti-dumping charges, and that it will more frequently and more staunchly emphasize its market economy orientation.

Therefore, how to deal with anti-subsidy charges now in hibernation should arouse greater concern.

[15 Jul 94 p 1]

[Article by Liu Anyu (2692 1344 3768), Deputy Manager, Qinghai Metallic Order Import-Export Corporation: "After Victory What?"]

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[FBIS Translated Text] Like the calm that follows a storm, the United States International Trade Committee made a final no damage ruling in U.S. anti-dumping litigation against Chinese silicon carbide exports, thereby awarding complete victory to China. Nevertheless, following this victory, the clear sky became filled with clouds for exports of the Metallic Ore Export Corporation in China's Qinghai Province. The corporation spent much manpower, money, and time in defending itself against litigation. It answered investigation questionnaires, agreed to investigation, and sent people to the United States twice to appear in court to enter demurrers.

The silicon carbide anti-dumping investigation went on for nearly a year. During the investigation, silicon carbide exports to the United States came to a virtual halt. Once the anti-dumping case was over, fine export opportunities followed. In the process of defending itself, the defending corporation gained an understanding of the export market. It gained an extremely clear understanding of U.S. production firms' production costs, market prices, China's export sale prices, and the prices that importing firms are willing to accept. Firms that took part in the defense valued the result they obtained, but those who stood with their arms folded, unwilling to answer the dumping charges, and the modest gentlemen who would not fight back have a different view of matters. In less than a month following announcement of the final ruling on the silicon carbide anti-dumping case, a new war involving procurement price hikes and low price sales began in China.

Importers approved our corporation's export price quote at first, but before opening a letter of credit, they reported that another company's quoted price was between \$50 and \$60 per ton lower than ours. This occurred despite a between 200 and 300 yuan per ton rise in the domestic purchase price within about a month.

Had the old export order continued after the lawsuit, a new round of export price cutting would inevitably have ensued, and had the importers filed another anti-dumping suit, who would have been willing to stand up to the charge? When a few people plant trees, everybody enjoys the shade, but if they destroy the trees or damage the trees while enjoying the shade, after a while, who is willing to pay the high price of planting trees?

After conclusion of the hearings, our company held discussions with several other companies that had responded to the earlier charges, agreeing to coordinate with each other before making a price quote in the future. We found very quickly, however, how unrealistic this notion was. With so many exporters in the country, some of whom were anxious to earn foreign exchange, some of whom had inventories to get rid of, and some of whom were engaged in filing false claims for tax rebates on exports, what was to be done in the face of such a complex situation?

MOFERT issued a regulation on answering dumping charges. It was aimed at problems such as not very strong response to export anti-dumping charges, and addressed

how to conduct the export business after making a successful defense. This resulted in less damage to both enterprises and the country, and it also avoided further anti-dumping investigations from importing countries. It also kept the market diversification strategy that MOFERT advocated from being damaged by anti-dumping charges. We hope that the authorities concerned will draw up applicable regulations as quickly as possible.

[17 Jul 94 p 1]

[Article by Correspondent Jin Jianhang: "China's Lawyers Called Upon To Answer Anti-dumping Charges"] txt
[FBIS Translated Text]

• Response to Anti-dumping Charges Must Emphasize Breaking the "Non-Market Economy" Barrier

Chinese Lawyers Versed in Anti-dumping and the Chinese Scene Cannot Shirk Responsibility

Japan's first anti-dumping complaint was against Chinese silicon-manganese alloys.

Reportedly, a research unit in Japan's Ministry of International Trade and Industry [MITI] drew up an anti-dumping memorandum listing more than 140 Chinese products. The complaint against silicon-manganese was just the first shot.

Were Japan to be allowed to crack the whip on silicon-manganese, the more than 140 other products might pop to the surface like gourds pushed under water.

Thanks to the joint efforts of the Chinese Government departments concerned, the Metallic Ores Chemical Industry Import-Export Chamber of Commerce, seven silicon-manganese exporting firms, and Chinese and Japanese lawyers, the Japanese Government levied anti-dumping duties ranging from 4.5 to 27.2 percent on different items. Chinese silicon-manganese could continue to be exported to Japan.

Now that the silicon-manganese problem has been resolved, problems about the other more than 140 products are also quiescent.

A great deal might be written about the lessons of experience gained in the silicon-manganese case. One thing lacking in other anti-dumping cases was the participation of Chinese lawyers in the case. Wang Jun of the Chinese Great Wall Law Office conducted a full defense against the contention that "Chinese is a country having a state-controlled economy (i.e., a nonmarket economy)."

Just as in a soccer match, Wang Jun, kicked the ball toward the goal, but the ball that Wang Jun kicked, the goal keeper never imagined, the spectators never imagined, and his teammates also never imagined.

This was because different courses may be taken to win an anti-dumping cases, and he chose the most difficult one.

No wonder that Wang's Jun's colleague, Koichi Kusano of the Japanese Sanada Nishimura Law Office, exclaimed

with astonishment: "Without you, we could not have won this law case using this method."

When the former assistant to the United States Secretary of Commerce, Mr. Francis Sala [phonetic] heard that China had won the case, he kept asking, "How did you convince the Japanese Government? In the five years during which Mr. Sala chaired the United States' Chinese Anti-dumping Testimony Committee, not a single Chinese law office filed a report or came to testify that China is not a "nonmarket economy country."

Everyone knows that it is against China that every country has the greatest anti-dumping prejudice, meaning that they regard China as a "nonmarket economy country," and look upon all Chinese firms as part of one large state-controlled corporation. The prices that Chinese firms provide are useless. Substitute country prices have to be found.

Everyone supposes there are very many reasons for refuting the contention that "China is a market economy country."

However, Wang Jun's thought was that there are also very many reasons for refuting the contention that "China is not a market economy country." His first gambit was to hoist his adversaries with their own petard.

The criteria used abroad for determining whether a country is a nonmarket economy are the six definitions that the United States uses as a precedent: 1) the degree of free convertibility of currency; 2) the degree to which wages can be freely negotiated; 3) tolerance for foreign investment; 4) the degree of government ownership or control of production resources; 5) the degree to which the government decides the allocation of resources, prices, and amount of production; and 6) other factors.

Wang Jun applied these criteria in making comparisons with so-called market economy countries.

Electric power and transportation are also under government control in Japan. The government subsidizes them, and prices are decided by government departments. In Japan, the basic pattern of wages for staff members and workers is 10,000 yuan for each year of age. If I am 35 years old, I make about 350,000 yen. What room is there for negotiation about this?

In the UK, land is owned by the crown; in China, it is owned by the state. In the UK the buying and selling of land is the buying and selling of use rights. China also sells use rights.

The transnational corporations of Italy, France, and Germany all receive state support. The state holds shares and it has the right to hold controlling shares. What difference is there between this and state control?

It might be asked how it is that under the same circumstances China has a nonmarket economy while some place else has a market economy.

The Japanese MITI officials laughed as they listened. The argument made sense!

Wang Jun's second gambit was to talk facts.

He was a Chinese lawyer who knew the situation in China.

To make foreign governments understand the situation in China required that Chinese lawyers organize materials to provide the full facts.

Take just one example by way of explanation. In the silicon-manganese case, foreign trading corporations answered charges, and the Japanese Government also required firms supplying silicon-manganese to write in a quoted price. Wang Jun was firmly opposed. He had one reason. China has a market economy in which foreign trade corporations and suppliers of goods are independently operating legal entities.

The success of the two gambits seemed very simple. Actually, it was not simple at all.

Every argument required completely detailed data, and grounds. China's report on "China is not a market economy country" required four volumes, each 500 pages long and containing approximately 600,000 words, all of it in Japanese, and supplied within one month. Every day Wang Jun worked from 8:00 a.m. to 6:00 a.m. the following day, sleeping only two hours each day.

It was really a case of putting one's life on the line to win the case.

After the silicon-manganese matter was quashed, Wang Jun said laughingly that he was unemployed. To this day, Japan has never brought up another anti-dumping complaint. China is very lucky in its exports.

The United States', the EU's, and other country's anti-dumping is becoming worse and worse, one reason being that China has made no major breakthroughs in its defense. China has never overturned, from a legal standpoint, foreign governments' contention that "China is a non-market economy country." However, conditions for using legal means to solve this key issue are much better today than they were two years ago during the silicon-manganese lawsuit.

China's practice of a socialist market economy has been written into its constitution. More than 90 percent of Chinese commodity prices are set by the market. Major reforms have been made in Chinese foreign exchange and foreign trade system. China holds first place in the world in its assimilation of foreign capital, and China's enterprises have full right to make their own decisions...

Circumstances change and time passes. The current situation requires that a number of Chinese lawyers come forth to handle this enormous project, becoming "guards" in the export trade.

Chinese lawyers astounded Japan; now they can astound the world.

[20 Jul 94 p 1]

94CE0696D Beijing GUOJI SHANGBAO in Chinese
20 Jul 94 p 1

[Article by Correspondent Jin Jianhang: "Anti-Dumping Reminds: We must Maintain the Normal Trade Order. Electro-mechanical Exports—When the Foot Hurts, More Than the Foot May Need Doctoring"]

[FBIS Translated Text] One group of figures provides cause for joy: Exports of Chinese electro-mechanical products, which accounted for 6.14 percent of the country's total exports in 1985, rose to 24.7 percent in 1993. New Customs statistics show that the export figures for the first half of 1994 are greater than the total for 1990.

Another group of figures provides cause for concern: Foreign anti-dumping cases (not including Mexican cases) against Chinese electro-mechanical products number more than 40 and involve more than 30 different kinds of products. Annual exports worth nearly \$100 million, including color televisions, electric fans, and bushed bearings are almost certain to meet this misfortune. Bicycles are even more fated for many setbacks. The EU, Canada, Mexico, and Argentina have all leveled anti-dumping charges against them.

A problem emerges from comparison of the two sets of figures: What is to be done about this neither large nor small "anti-dumping" obstacle that China's vast electro-mechanical exports strategy has encountered?:

Tang Chongwen, director of the Chinese Electro-Mechanical Products Import-Export Chamber of Commerce said that foreign anti-dumping charges against us are naturally for the purpose of protecting their own industries. To a very large extent, this is trade protectionism. Nevertheless, from our point of view, we cannot take a Band Aid approach of regarding anti-dumping solely as a lawsuit. He believes that anti-dumping, and defense against anti-dumping reflect one problem: namely, how to maintain the normal trade order in the wake of the decontrol of business.

More and more companies are getting into the export trade. Business channels for the same products are spread out. Everybody is exporting some products, so they frequently resort to low price sales competition as a means of winning contracts. Consequently, the export volume of each is not large. Another problem is that the range of corporations' export product is very broad. Firms that export clothing also export electro-mechanical products, and those that export electro-mechanical products also export clothing. From the standpoint of company business people, they dare export anything, and they can export anything. When export of one product runs into difficulties, they switch to another, or they change markets. Many of them do not professionally study the markets to which they export products, to say nothing of having a spirit of responsibility about having goals and opening up solid markets step by step. This is particularly evident in anti-dumping cases. Before a case is filed, they regard a product

as a "money tree, but after a case is filed, they abandon the product like a worn out broom."

Decontrolling business certainly does not mean a laissez-faire attitude about exports. Products that many units export, that are exported over a wide area, whose export markets are concentrated, and for which the export order is in disarray particularly require greater control in order to reduce pretexts for dumping charges against us. Should a case be drawn, we will also be able to win it fairly easily this way.

"Government departments concerned must punish as necessary units and parties to law suits that do sell at low prices, particularly those that use improper means to sell at low prices, thereby causing the country serious losses."

Firms that conduct necessary industry-wide coordination on the export of the same products must coordinate both markets and prices. The market capacity of a territory or a country is limited. Should supply exceed demand, some exporters are likely to export at low prices, making regulation and control extremely important.

Director Tang particularly noted the need for greater control over products against which anti-dumping charges have been leveled. When an anti-dumping case occurs, a defense is just the first step. Control must follow the demurrer.

If defense in an anti-dumping case fails and a high anti-dumping tariff is levied, the markets of the country filing suit are sure to be closed to imports for the time being. At this time, the chain reaction must be studied quickly to determine whether anti-dumping charges from other countries may ensue. A case in point is bicycles. After China lost in the EU suit, U.S. manufacturers became very nervous, fearing that Chinese export bicycles might flood the United States. They considered filing anti-dumping charges as well. During such times, China's exporting firms must make sure to control quantity. They must not concentrate exports too much, otherwise they may easily provoke anti-dumping action.

If China wins an anti-dumping case, exports must be better managed in the future. The general situation existing today is continued mad exporting of many products in the wake of a law suit. This can very easily lead to further charges from the other party, or it may seriously dampen firms' interest in contesting litigation. It is also a real reason why firms hesitate to contest suits: the principle that those contesting suits should benefit is not honored. Contesting firms spend money and effort, but after they win the suit, everybody enjoys the export market. Low price competition may then occur again, showing that after treating a foot for pain, surgery must be performed, meaning the export order must be strictly controlled.

After a certain period, the export of products indicted for dumping might be licensed or controlled through quotas, the licenses or quotas assigned to the contesting units. The authorities concerned might consider this line of thinking.

Further on Anti-dumping, III

94CE0697A Beijing GUOJI SHANGBAO in Chinese
22 Jul, 2 Aug, 3 Aug 94

[Article in three installments by Correspondent Jin Jianhang (6855 1696 2635)]

[22 Jul 94 p 1]

[FBIS Translated Text] The anti-dumping issue has become a hot spot in China's external economic life that must be looked at more dispassionately and considered calmly. In responding to the correspondent's interview, the persons in charge of anti-dumping matters at MOFERT [now known as MOFTEC—Ministry of Foreign Trade and Economic Cooperation] provided a vantage point for viewing dispassionately and calmly the anti-dumping issue.

Question: China has been engaged in anti-dumping lawsuits for 15 years. The number of anti-dumping cases grows with each passing year, and rebuttal pressures increase year by year. How do you evaluate the rebuttal job today?

Answer: Thanks to the close attention and concern of MOFERT leaders, the task of contesting anti-dumping cases and the results obtained from rebuttals are not bad at all. First of all, the Chinese government and enterprises now understand the anti-dumping concept, have some knowledge of the laws, and understand the threat that anti-dumping suits pose for China. Second, most firms take rebuttal seriously. Chinese firms have responded to most of the cases that have occurred in recent years, and they have obtained definite results. For example, 406 anti-dumping cases concerned with nitromethane, silicon carbide, and honey that the United States has filed against China resulted in no damages rulings in which China won complete victory.

Anti-dumping rebuttal work has gained the close attention of the state and MOFERT. Anti-dumping has become an important topic for bilateral discussions. The Chinese government has used various means in an effort to get foreign governments to abolish discriminatory anti-dumping legislation and methods used against China.

In order to provide regulations for use in rebuttals, in 1994 MOFERT drew up anti-dumping rebuttal provisions that set forth clearly the responsibilities of the treaty and law departments of the ministry, of economic relations and commercial offices abroad, of import-export chambers of commerce, of foreign trader-owned enterprise associations, and of economic relations and trade committees and firms everywhere. Once a case is filed abroad, it is publicized at once in GUOJI SHANGBAO [INTERNATIONAL BUSINESS NEWS]. This amounts to setting up an anti-dumping response mechanism.

Question: Anti-dumping is a GATT law, but much unfairness exists in foreign anti-dumping charges brought against China. How should anti-dumping be regarded?

Answer: Minister Wu Yi set forth the Chinese government's position on the anti-dumping issue. China is opposed to dumping, and it is studying and drawing up regulations to punish low price exports.

However, China also opposes the discriminatory anti-dumping legislation and methods of foreign governments. Discrimination is expressed principally in regarding China as a non-market country, using substitute country prices to determine whether China's exports are being dumped. Consequently, the advantages that China enjoys in low priced manpower, and in raw and processed materials is not recognized. China's fair export prices are regarded as dumping.

China is even more opposed to the use of dumping as a pretext for trade protectionism. The number of western anti-dumping cases against China bears no relationship at all to the percentage of Chinese exports in their markets. Chinese exports account for less than 3 percent of the U.S. import market, yet one-fifth of America's anti-dumping cases are against China.

Question: What difficulties remain in contesting anti-dumping charges today?

Answer: Just as you suggested in the interview, anti-dumping has to do with many things. It has to do with the external environment and the rebuttal mechanism, and it is also an export control issue. It also has a bearing on progress in reforming the country's economic system. Right now, at least the following several ideas or difficulties require the serious attention of all.

1. Some concerns come to the conclusion on the basis of their own calculation of costs that they are not dumping. Thus, they cry out against injustice to the ministry, and to chambers of commerce and associations, but they do not make a rebuttal.

Since foreign countries regard China as a non-market economy country, they do not take China's production costs into consideration. Therefore, concerns must pay close attention to production costs in substitute countries. They must understand the prices that their international competitors are charging so as to provide no pretext for dumping charges. In addition, they must demonstrate whether dumping has occurred. They must make a rebuttal, prepare data, and hire lawyers to go to the countries that file suits to make a counterplea. Failure to make a rebuttal is tantamount to abandoning the market.

2. Lack of cooperation between exporting concerns and producing concerns in making rebuttals.

Rebuttal regulations provide that production concerns and export concerns must make a rebuttal. In actual fact, however, export concerns have a large say in what they will and will not do. If some export concerns say they will not make a rebuttal, they do not make a rebuttal. They do not bear in mind the interests of producing concerns. If some export concerns halt exports, factories will have to close their doors and people will lose their jobs.

Export concerns and production concerns must work more closely together. They must jointly share rebuttal expenses, and make rebuttals.

3. Difficulty finding the money to pay rebuttal expenses.

Many concerns are well aware of the necessity to make a rebuttal, but they are unwilling to spend the money required to do so. Some concerns have still not paid their lawyers fees.

Firms have to learn that, in doing business in a climate in which anti-dumping suits are on the rise, they must provide in advance for legal fees as part of their costs of doing business. As a long-term strategy, they must also open markets as a hedge against contingencies.

4. Better export control

Some firms are now asking that the government ensure benefits for enterprises making rebuttals. This notion must be analyzed: First, for some products against which anti-dumping charges are leveled, the firm itself has frequently acted improperly in controlling export prices and volume. The firm itself has a duty and bears responsibility for making a rebuttal. Second, a successful rebuttal may be of two kinds. One is a separate ruling whereby a firm that fails to contest a suit has no choice but to leave the market, but a contesting firm gains if the tariff rate on its exports is lowered. The second is a no damages victory whereby the rebutting firm maintains the export market for the country. This should be encouraged. Finally, after a case has been won, government agencies should summarize the lessons of experience at once, improve export controls, and provide dumping policies for enterprises involved in making rebuttals. The exporting country should control exports, and practice orderly marketing. In particular, it should itself place limits on exports of light industrial, textile, and chemical industry products, and not get involved in matters in violation of GATT regulations.

Concerns should also accept anti-dumping lessons, and try to avoid two things as follows: First, the bigger one's market share, the lower the price. This is the nasty result of mutual slaughter in domestic markets that can very easily open one to anti-dumping charges. Second, for a certain period, concerted effort to export on a large scale is also likely to create dumping accusations.

5. The "nonmarket economy" argument makes it difficult to contest anti-dumping charges.

Foreign governments' view that China is a non-market economy country places numerous obstacles in the way of China's efforts to contest anti-dumping charges. This problem cannot be solved for the time being, but it must be solved. A number of experts must be organized to study China's economic system and the degree to which it has made a transition to a market economy in order to provide complete and accurate research reports that cause foreign governments to change their views. In addition, China has already inaugurated a series of law, rules, and regulations such as the "Corporation Code," and the "Foreign Trade

Law" for the transformation of state owned enterprises' operating mechanisms. These lay a legal foundation for institution of a socialist market economy system. More must be done to apply them to real economic life, making sure that laws are obeyed in order to halt the situation in which laws and regulations are divorced from real life.

[2 Aug 94 p 1]

[FBIS Translated Text] Since no Chinese corporation contested a suit, the United States Department of Commerce issued a preliminary ruling on 7 July levying a 376.67 percent ad interim anti-dumping tariff on the marketing of Chinese garlic in the United States. Following announcement of the results of the ruling, an American importer wrote to this newspaper asking that a Chinese company contest this suit to save China's U.S. garlic export market.

In his letter, the importer said, "If the authorities concerned in China contest the case at once, they may be able to resuscitate garlic exports so that those residing abroad far from home can enjoy garlic from the motherland."

The importer's letter revealed that the United States had filed an anti-dumping case against Chinese garlic mostly because of a suit filed by seven companies representing the largest garlic growers in California. These companies could not compete with garlic from China. Imports of garlic from China increased 18 times between 1991 and 1993. Acting on the basis of data that the plaintiffs provided, the United States Department of Commerce determined that Chinese garlic had been shipped without regard to cost, which is dumping. The lawyers representing the U.S. garlic growers maintained that unless anti-dumping action was taken, within a short period, more Chinese garlic would flood America.

In his letter, the importer said that China is, without doubt, one of the world's largest garlic growing countries. In recent years, Chinese garlic exports have posed a certain amount of threat to some countries. In 1993, the EU limited Chinese garlic imports to 10,000 tons, and Mexico halted Chinese garlic exports on the pretext that the garlic contained germs.

The importer said that California garlic farmers celebrated their initial victory as a great event, adding that Chinese companies must re-examine their attitude about contesting the suit. The United States Department of Commerce sent out 42 investigation questionnaires to principal Chinese garlic exporters, but did not receive a single reply. In the view of the United States Department of Commerce, this is evidence of Chinese noncooperation. It relied solely on data that the plaintiff supplied to make a high tariff judgment. Fortunately, Chinese companies still have two opportunities. One is the Department of Commerce's final verdict, and the second is the final verdict of the United States International Trade Committee. If Chinese domestic garlic exporting companies and American importers of Chinese garlic work together to hire lawyers to make an active rebuttal that provides some reasonable

plan for solution, either a new verdict may be rendered on the anti-dumping tariff, or they may be able to reach an understanding with American garlic farmers.

The importer said that in order to obtain their legal rights, local Chinese garlic importers in the United States were willing to hire lawyers to work in conjunction with the Chinese parties concerned to reverse a bad situation.

If the Chinese companies will not contest the ruling, the case can have only one outcome: Chinese garlic will lose its U.S. market for a long time to come.

The importer does not want to see this result. So, Chinese exporting companies and garlic growers, are you willing to see this result?

[3 Aug 1994]

[FBIS Translated Text] The MOFERT Treaty Law Office has given this newspaper sole right to publish "Guide to Foreign Anti-dumping Cases Against Chinese Exports," the complete text of which appears on page 2 of today's paper.

During the 15 years since the EC conducted the first investigation of Chinese saccharine exports and the U.S. charges leveled against Chinese glycine on 1 July, foreign countries have brought 172 anti-dumping cases against China involving more than 140 different products. This does not include the large scale anti-dumping charges that Mexico leveled on 15 April 1993 against more than 4,000 Chinese commodities in 10 major categories, including textiles, clothing, bicycles, hand tools, electrical household appliance, fluorspar, shoes, toys, organic chemicals, and pipe fittings.

Rough statistics show that China has sustained anti-dumping charges on three kinds of native and animal product categories, nine kinds of foods and additives, two kinds of pharmaceuticals, nine kinds of textiles, five kinds of clothing, 23 kinds of light industrial products, four kinds of machinery, nine kinds of electrical and electronic products, 36 kinds of metals and metal products, 10 kinds of minerals, and 34 kinds of chemicals.

Anti-dumping charges have been levelled against these products in many countries or territories. Four countries or territories levied anti-dumping charges against bristle brushes, bicycles, shoes, and lead pencils.

Anti-dumping charges have been levelled against some products several times in a single country or territory, tungsten manufactures, shoes, and bristle brushes, for example.

Statistics show that anti-dumping cases coming from the EU are the largest in number at 54. The United States is close behind with 50 cases, and Australia and Canada have each 20 and 11 cases respectively. These four countries or territories account for 80 percent of all cases.

Countries filing anti-dumping charges against China as of the present are: the United States and Canada in North

America; Mexico, Argentina, Brazil, Chile, and Venezuela in Latin America; Australia and New Zealand in Oceania; Nigeria and South Africa in Africa; Japan, Turkey, India, and South Korea in Asia, and the EU (including 12 countries).

This newspaper has prepared a diagram to show directly the year-by-year trend toward increase in the number of foreign anti-dumping cases against China. This diagram shows a total of two cases in the 1970s, an average six cases per year in the 1980s, and a dramatic increase in the number of anti-dumping cases in the 1990s when an average of 22 per year were brought. During the first half of 1994, 19 have been filed. The 1990s also happened to be a period of rapid development of China's foreign trade when exports increased dramatically. This "synchronous" phenomenon should alarm the authorities and exporting firms concerned.

Results obtained from China's contesting of anti-dumping cases have been less than heartening. Statistics show that except for 30-odd cases that foreign countries withdrew, cancelled, or denied, in most cases, a judgment was made against China and either a high anti-dumping tariff was levied, or China was required to raise prices and limit export volume. In a substantial number of cases, no Chinese firm contested the case.

China must give serious attention and study to the threat of anti-dumping charges to its large numbers of exports. Many problems remain in the fields of anti-dumping suits and contesting anti-dumping suits that people in the Chinese foreign economic relations and trade field must solve.

MOFTEC Official Views U.S. Antidumping Cases

94CE0787A Beijing GUOJI JINGMAO XIAOXI
[INTERNATIONAL TRADE NEWS] in Chinese
27, 29 Jul, 3, 5, 8 Aug 94

[Article by Zhou Shijian (0719 0013 0313), affiliated with MOFTEC's International Trade Studies Institute: "China's Experience, Lessons, and Remedies in Responding to Antidumping Lawsuits by the U.S."]

[27 Jul 94 p 1]

[FBIS Translated Text] *Editor's note: Since China was sued by the EC in 1979 for dumping saccharin and alarm clocks, China's export commodities have been subjected to a succession of antidumping charges abroad. Incomplete data show that by the end of May 1994, the number of antidumping lawsuits [against China] by many countries in Europe, the United States, and Asia had reached 167 (of which 101, or 60 percent, had been brought since 1990), affecting Chinese commodity exports worth \$1-2 billion. It is thus obvious that as a legal means of trade protectionism antidumping laws are posing an ever growing threat to China's export commodities and, we absolutely must not treat them lightly.*

This serialized article detailing China's Experience, Lessons, and Remedies in Responding to Antidumping Lawsuits by the U.S., which is starting today in GUOJI

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JINGMAO XIAOXI, is offered for reference by the leaders and business staffs of all concerned trading companies and enterprises in responding to antidumping lawsuits. As long as we tighten our export management, raise our legal awareness, and contest boldly and adeptly, we will be able to win against antidumping lawsuits, to safeguard the interests of the state and Chinese enterprises.

[Part I]

Since the beginning of the 1980s, the U.S. foreign trade deficit has been growing rapidly, remaining persistently high since it topped the \$100 billion mark in 1984, to become one of the focuses of concern by the U.S. government and public. U.S. trade protectionism is growing ever stronger, with the legal means of trade protectionism—antidumping laws—playing an ever more crucial role. Incomplete data show that the number of U.S. antidumping lawsuits amounted to 283 from 1980 to 1985, reaching 100 in 1988, and shooting up sharply to 400 by 1989. Most of the commodities involved in these cases were good-selling ones involving large amounts of money and quantities. For instance, the U.S. conducted in 1989 an antidumping investigation of chemical fiber sweaters from Taiwan, South Korea, and Hong Kong, which in one case alone involved as much as \$886 million.

In this state of affairs, the number of antidumping lawsuits by the U.S. against China's export commodities has also grown rapidly. In the decade from 1980 through 1989, 18 Chinese commodities were the subject of antidumping lawsuits by U.S. manufacturers; then in only 3 years from the beginning of 1990 to the end of 1992, another 19 of our commodities were the subject of antidumping lawsuits; and in less than one and one-half years from the beginning of 1993 to the end of May 1994, yet another 13 of our commodities were the subject of lawsuits. So from June 1980 to the end of May 1994, 50 Chinese export commodities were the subjects of antidumping lawsuits by U.S. manufacturers. These commodities involve ones, such as industrial chemicals, medicines, the five metals (gold, silver, copper, iron, and tin), textiles, native livestock, light manufactured goods, crafts, food, and machinery, affecting Chinese exports to the U.S. worth up to \$1 billion. As to these cases, most of the pertinent Chinese companies and chambers of commerce have responded actively, tightening their management of exports to the United States, and hiring experienced U.S. lawyers to litigate for us, arguing strongly on just grounds. Of 40 concluded cases, China has won (including ones in which the other side withdrew the suits) 13 involving menthol, canned mushrooms, barium carbonate, small-bore welded steel pipe, baseball caps, steel cable, shopping carts, ball bearings, hairbrushes, stibium trioxide, sulfur dyes, nitromethane, and silicon carbide. While there were some cases that we did not win, they sharply lowered the collection by U.S. customs of antidumping tariffs, which collections were 0-2.16 percent for electric fans, 4.24 percent on motor vehicle screws (nuts), and 6.33 percent on iron nails. There are still 10 cases being tried. In certain cases, due to factors such as not choosing good lawyers, or

to the concerned leaders and business staffs having an inadequate understanding of antidumping laws and not enough counterplea experience, money was spent to hire lawyers, but the cases were lost when victory was possible.

So to ensure increased exports, it will be of crucial immediate significance for us to prevent and deal well with antidumping cases against Chinese export commodities by European and American countries.

I. Existing Irrationalities in U.S. Antidumping Laws That Apply to Chinese Exports to the U.S.

When Western nations employ antidumping means to limit imports of overseas products, they always act under a facade of fair and reasonable competition, while denying the fact of their own trade protectionism. As U.S. antidumping laws that apply to Chinese exports to the U.S. contain a series of irrationalities, particularly involving price comparisons, where the calculation of "fair prices" has special provisions when applied to "nonmarket-economy countries," the rulings reached are unjust. These irrationalities can be seen mainly as:

1. U.S. Antidumping Law Provisions Pertaining to the Choice of "Substitute Countries" Are Unpredictable When Applied to Chinese Exports to the U.S.

When making price comparisons, U.S. antidumping laws allow market-economy countries to use the selling prices of their products on their own countries' markets as "fair prices." So when exporting commodities to the U.S., these countries' export firms, through comparison with their domestic market prices, can clearly learn whether the prices of the commodities that they sell on U.S. markets constitute dumping. But as U.S. antidumping laws that apply to Chinese exports to the U.S. have special provisions pertaining to "nonmarket-economy countries," the U.S. Commerce Department has to choose a "substitute country" when involved in antidumping cases against Chinese commodities, to artificially find a so-called "fair price." This makes it impossible for Chinese export companies, before cases occur or even when they are on file and under investigation, to predict with certainty what export commodity prices will keep them from being sued. In other words, as the domestic market prices of Chinese export commodities or the prices at which they are exported to third countries are not regarded as "fair prices," Chinese export companies have to export to the U.S. at prices no lower than U.S. prices "for similar products" to prevent the possibility of being charged with dumping. This is unfair, reflecting a lack of transparency and predictability in U.S. antidumping laws when applied to Chinese export commodities. As all know, unpredictable laws essentially violate the basic elements of law. For instance, when a car being driven along a highway with no speed-limit signs is suddenly stopped by a cop who says "you are going too fast," and the driver says "I was only going 50 mph," the cop replies "I was notified this morning that the speed limit on this road was changed to 40 mph!" How is one to observe such unpredictable laws?

[29 Jul 94 p 1, Part II]

[FBIS Translated Text]

2. The "Substitute Country" Method Is Unfeasible in Practice and Very Unfair in Execution.

As U.S. antidumping laws stipulate that China is a "non-market-economy country," they cannot use our domestic market selling prices as "fair prices," but rather must choose a country with a similar level of economic development as a "substitute country." While such a method of choosing a "substitute country" has theoretical significance, it certainly is unfeasible in practice, as well as often being unfair in execution.

In antidumping cases involving Chinese exports, it is exceptionally hard to find the right "substitute country." The U.S. Commerce Department has to spend a great effort to find such a "substitute country" in its investigation of each case, while the economic development level of the chosen "substitute country" is often higher than China's. For instance, in a candle antidumping case, the U.S. Commerce Department chose Malaysia as the "substitute country." Malaysia has a per capita national income that is six times higher than China's, as well as a different candle variety and quality than China. Such a choice completely violates the aim of U.S. antidumping laws. While even U.S. Commerce Department officials acknowledge that it is irrational to make Malaysia the "substitute country," they have stuck to their decision on the grounds that it is impossible to find a more suitable country. And in a cast iron antidumping case, the Commerce Department chose Japan and Switzerland as the "substitute countries," putting the dumping limit for Chinese cast iron in the U.S. at 11.61 percent. And while the price of Indian cast iron, which is also subject to an antidumping investigation, is the same as that for the Chinese product, India is a market-economy country, so that its domestic market selling price is considered a fair price, bringing the decision that no dumping exists.

That the same product from two countries with similar development levels is sold at the same price on the U.S. market at a completely different price is very unfair.

In addition, as manufacturers or export firms in the chosen "substitute countries" generally are unwilling to provide the necessary price data to the U.S. Commerce Department, with the U.S. Government unable to force manufacturers in "substitute countries" to turn over such data, the "substitute country" method is impractical and unfair in many cases. So "substitute countries" are not objective and impartial yardsticks, but rather the use of a flexible yardstick to measure things, with different substitute countries being like yardsticks of different lengths, so that measured by a long yardstick, you are short, and measured by a short one, you are inevitably long, which is inaccurate and unreliable!

3. Ignoring the Quality Factor When Making Price Comparisons Leaves Chinese Commodities in an Adverse Position in Antidumping Cases.

As all know, the pricing principle for export commodities is price based on quality, with high prices for superior quality and cheap ones for low quality. In China's export commodity mix to the U.S., primary products and low-quality manufactured goods make up the larger ratio. While Chinese export commodities contain the advantages of cheap labor costs and low-priced raw materials, our existing problems of backward production conditions and technology level and poor operation and management objectively mean that our export commodities are not high in quality, which is the major reason why the prices of Chinese exports to the U.S. are lower than U.S. prices for similar products.

But the U.S. Commerce Department gives very little consideration to the quality factor when making price comparisons. For instance, in the mid-1980s, while Chinese candles contained flaws, such as more dripping wax and smoke, meaning that they naturally sold at a lower price, the U.S. Commerce Department made its comparison purely on the basis of price, pushing the dumping limit for Chinese candles up to a high of 54 percent.

4. The Cumulative Appraisal Method Objectively Discriminates Against Chinese Commodities.

The U.S. International Trade Commission, when investigating whether charged commodities cause substantive damage to U.S. industries that make the same products uses the cumulative computation method, looking at not only the impact of one country's commodities on U.S. industry, but also the joint impact of a number of accused countries' commodities on U.S. industries that make the same products. This actually encourages U.S. claimants, in order to limit imports of certain commodities, to bring simultaneous suits against all cheap imports of similar products. This is a potential threat to Chinese exports, as the available choices of "substitute countries" for China are often developed nations with the highest prices (because the simultaneously charged market-economy countries with similar development levels cannot be made "substitute countries"). In the ball bearing antidumping case, six countries were accused, accounting for 90.72 percent of gross U.S. imports of this commodity, of which the share of Chinese exports was only 0.29 percent. With such a small share, we were actually charged with causing damage to the U.S. ball bearing industry! With such a method to reach rulings, the injustice is not hard to imagine.

[3 Aug 94 p 1, Part III]

[FBIS Translated Text]

5. U.S. Antidumping Laws Essentially Do Not Consider the Real Production Cost of Chinese Export Commodities, Completely Ignoring the Vitality Brought to China's Economic Development by Economic Reform.

U.S. antidumping laws essentially do not consider China's comparative cost advantages, such as cheap labor and low raw materials cost, rather subjectively using the prices of

similar products in "substitute countries" as the criteria to judge dumping actions. Moreover, they completely ignore the fact that China no longer has a planned economy (or a "state-controlled economy"). China's economic reform has been underway for 15 years, now making the transition to a socialist market economy. China has diversified economic components—state, township, three kinds of foreign trade, and private enterprises. In particular, our township enterprises are growing vigorously, with our state enterprises practicing the contract system with sole responsibility for profits and losses, as well as experimenting with the joint-stock system.

It needs noted that the continued designation of China in U.S. antidumping laws as a "state-controlled economy" is out of line with China's realities. So applying the special regulations on nonmarket-economy countries to antidumping lawsuits against Chinese export commodities is unjust and unreasonable. Even certain U.S. businessmen and lawyers also acknowledge that U.S. antidumping laws are irrational in dealing with antidumping cases against Chinese export commodities, as well as being out of line with China's current realities.

To resolve this issue, U.S. companies have set up a corporate coalition called the "Commission on Fair Trade with China." The Commission's special advisor, former U.S. Secretary of Commerce and Attorney General Elliot Richardson, and Commission President Edward Frey submitted a research report on U.S. antidumping laws in the spring of 1987. This report held that U.S. antidumping laws were very unfair to China. It suggested revising certain parts of the antidumping laws so that they would deal fairly and flexibly with developing economies like China's, enabling these countries to set their own product costs, instead of making comparisons with substitute countries. In August 1987, former Presidents Nixon, Ford, and Carter separately wrote letters to Congress supporting revision of the antidumping laws and endorsing the antidumping law amendments of the "Commission on Fair Trade with China," to promote fair trade with China. With joint efforts by Chinese and U.S. figures concerned with Sino-U.S. trade, this rational demand was reflected in the "1988 Comprehensive Trade Law" passed by the legislature in August 1988. This bill clearly provided that the Secretary of Commerce should: study China's new trend of market forces, the impact of this trend on China's market policy and pricing system, and the relations between China's domestic prices and international prices; study the extent to which U.S. trade laws could be adapted to this change; study the necessity to amend pertinent sections of U.S. antidumping laws to adapt them to countries like China that are making the transition to a market economy. The Secretary of Commerce was to report to the Congress on these matters within 1 year after this bill took effect (23 August 1989). The significance of these provisions was that the U.S. acknowledged for the first time in its trade laws the difference between China's changed economic system and a country with a purely planned economy, as well as preparing to study the particular situation. This made it

possible to further amend the provisions in the antidumping laws that were unfair to China. But since then, for reasons well known to all, the U.S. Commerce Department has not sent a delegation to China to investigate the matter. Once U.S.-China relations improve, this matter is likely to be brought up for discussion again. Of course, changes in U.S. trade laws are still subject to factors, such as the U.S. balance of foreign trade, the competitiveness of its domestic industry, and the ebb and flow of trade protectionist sentiment. So we cannot expect U.S. antidumping laws to be amended in the near future to make them more rational. But as long as we make persistent efforts, we will eventually achieve definite results. Now is the time for us to loudly call for and motivate U.S. businessmen and legal figures to work with us on the matter.

II. China's Experience and Lessons in Responding to Antidumping Lawsuits by the U.S.

U.S. antidumping cases against Chinese exports, whether won or lost, all provide much experience and lessons for us to sum up and assimilate. Summing up the experience and lessons from these cases will help us to formulate relevant remedies and tighten our domestic export management. In future antidumping cases we need to respond more skillfully, boldly, and adeptly, confronting foreigners with witnesses in court.

1. Too Low Prices Is the Major Reason Why Chinese Export Commodities Are Subject to Antidumping Lawsuits.

Since the beginning of the 1990s, the number of Chinese export commodities subject to U.S. antidumping suits has risen rapidly. The causes of this are objectively that U.S. trade protectionism is growing ever more rampant, and subjectively that the selling prices of Chinese export commodities are too low, providing the other side with a handle.

There are many reasons for our prices being too low. 1) As many Chinese export commodities are unsuited to U.S. markets in areas, such as quality, specifications, variety, and packaging, being uncompetitive for sale at good prices, we can succeed only by selling them cheaply. 2) There are trade terms, particularly in the areas of delivery dates and payment terms, which are inconvenient for our customers, making it hard to sell at good prices. Chinese export companies generally use the payment form of at sight letter of credit (L/C), which often requires import firms to establish L/C's one month before we make delivery. But our goods shipments are a long time enroute (with many delays in domestic and foreign ports or being shipped to Hong Kong for transfer to other ships), meaning that deliveries sometimes take more than two months, and when we cannot prepare the goods promptly and ask our customers to alter their L/C's, our delivery times are even longer. So we have to sell commodities worth 10 yuan at 7-8 yuan. 3) While we are mostly externally oriented, we lack effective and coordinated management, leading to cut-price sales and market chaos, forcing the prices of

certain Chinese export commodities ever lower, and giving the other side an easy handle with which to sue us for dumping.

[5 Aug 94 p 1, Part IV]

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2. Hiring Experienced Lawyers Is the Key to Winning Lawsuits.

In antidumping litigation in the U.S., we have to hire U.S. lawyers to represent us. The material and data provided by the Chinese side is kept secret by lawyers, with the other side's confidential data also dealt with only by lawyers. So hiring experienced lawyers who are friendly to our side paves the way for us to win antidumping cases. The Japanese business community does not hesitate to spend heavily on hiring reputable lawyers to respond to U.S. antidumping cases, which could be called taking a small loss for greater profit.

Taking the ball bearings antidumping case as an example, once we decided to respond, the China Machinery and Equipment Import-Export Corp selected with the help of our embassy's commercial counsellor's office top-rate lawyers familiar with Chinese conditions as our legal representatives. The lawyers directing this case had represented us in litigating the cast iron antidumping case, with quite good results, and the law firm had an office in Beijing, making for very convenient liaison. As the lawyers understood Chinese conditions, as well as having experience in ball bearings antidumping cases, they were often able to help our side come up with ideas and ways of turning adverse factors into advantageous ones. For instance, as to the matter of choosing a "substitute country," the lawyers acted at our request to find legal defense grounds for promptly excluding Indonesia, Spain, Brazil, and India as "substitute countries," which the plaintiff had investigated in detail, but which had price terms that were very adverse to our side. This "laid the grounds" for the eventual choice and use by the U.S. Commerce Department of computed prices. As the lawyers worked meticulously, conscientiously, and responsibly, the Commerce Department accepted the revised evidence of the Chinese company after much persuasion, leaving us to ultimately win the case.

3. The Chinese Side Needs To Take Cases Seriously, Actively Replying to U.S. Commerce Department Investigations.

As the applicable antidumping law leniency is quite easily influenced by economic and political factors, in antidumping investigations involving Chinese commodities, if our side can pay enough attention to do thorough and detailed work in cooperation with other sectors directed at the U.S. Commerce Department, with active investigation coordination, this will have a positive impact in helping the Chinese side win cases. For instance, once Chinese canned mushrooms were subjected to an antidumping lawsuit, both the China Grain, Edible Oil, and Food

Import-Export Corp and the officials in the Chinese embassy's commercial counsellor's office in the U.S. expressed concern about the case to the U.S., urging the U.S. Commerce Department to handle it properly. In addition, we also sent officials to the U.S. to handle the case. All of this made a deep impression on the U.S. Commerce Department, forcing it to pay attention to hearing our objections on appeal.

On the other hand, some companies, once their commodities are subjected to suits, take a laissez-faire approach, not making conscientious response preparations. Nor do they cooperate actively in advance investigations against the U.S. Commerce Department, which is bound to result in losing cases.

4. We Need To Promptly Raise Our Prices in an Attempt to Gain the Initiative.

U.S. antidumping laws provide that the investigation term against charged foreign commodities is from 5 months prior to the month in which the suit is brought to the end of that month (the Commerce Department can make appropriate adjustments based on conditions, extending this term forward or backward as necessary), with selling prices during this period computed at the weighted average. So Chinese export companies need to be well informed so that they can respond quickly. Once they acquire information, they should promptly raise prices and acquire transaction contracts (we need to find old customers to help us in this), which will play a positive remedial role in reducing the extent to which Chinese export commodities are lower in price than the "fair prices." For instance, in the canned mushrooms antidumping case, the suit was brought on 18 October 1982, with the investigation term from 1 May to 31 October 1982. Once the news of the suit was heard, the China Grain, Edible Oil, and Food Import-Export Corp promptly raised prices 5 percent at the Guangzhou Export Commodities Fair and acquired a transaction contract, which played a positive role in reducing the extent to which our prices were lower than the "fair prices."

5. We Need To Take an Active Initiative in Choosing Appropriate "Comparable Prices."

Prices are the crucial issue in antidumping cases, with the crux of antidumping laws being to determine "fair prices." Whether our side wins is determined largely by whether we can choose a "substitute country" with a level of economic development similar to China's, quickly checking whether its domestic market selling prices or production-factor costs are similar to China's. For instance, if the Commerce Department sets the "fair price" high, there is a great possibility that our commodities will be ruled as having been dumped; and if the "fair price" is set low, there is more possibility that we will win the case. So in past antidumping cases, Chinese companies have done a lot of work in choosing the right "substitute countries." In the canned mushrooms case for instance, once our lawyers learned the conditions in eight countries and regions, and after many setbacks, they finally agreed with the U.S.

Commerce Department's choice of Indonesia as the "substitute country." As Indonesia's canned mushroom prices were similar to ours, this choice became the crucial factor in our side winning the case.

In future antidumping cases, the choice of the right "substitute country" is going to pose ever greater difficulties. According to the amendments in the "1988 Comprehensive Trade Law," the method of determining production-factor costs has become the key means of determining the "fair prices" in "nonmarket-economy countries."

[8 Aug 94 p 1, Part V]

[FBIS Translated Text]

III. Remedies Against Antidumping Cases by the U.S.

The lessons that China has learned from its experience in the 40 antidumping cases in China-U.S. trade that have been concluded, show that we can make some headway in dealing with the U.S. antidumping matter. As long as we tighten our export management and raise our legal awareness, we will be able to be charged with less dumping by the U.S. We need to adopt a policy of active response, coordinating our overseas actions under the organization of professional chambers of commerce, and boldly confronting foreigners with witnesses in court. And as long as we respond boldly and adeptly, we will win more antidumping cases, at least minimizing our losses to preserve our national and business interests.

1. We Need To Bring the Role of Chambers of Commerce into Full Play, Tightening Our Coordination and Management of Exports to the U.S.

In recent years, the sales channels and prices of exports to the U.S. of certain Chinese commodities have been in considerable disorder. This not only causes an outflow of our wealth, but also gives the other side a handle with which to bring antidumping cases against us, as well as leaving our old customers dissatisfied, dampening their initiative to handle our goods. Japanese firms have achieved excellent results through paying special attention to putting up a concerted front abroad and through coordinated management, which we have found hard to do. No wonder some of our old customers even say that on U.S. markets, "China's worst foreign trade enemy is China itself."

As for those commodities that already have a certain advantage in U.S. markets, but where the markets are saturated and competitive exporting brings less exchange earnings, we need to continue to practice export licensing or quota bidding, franchise, or joint-franchise systems, which will help to coordinate the quantity and prices of our export commodities to the U.S., providing less of a handle for bringing antidumping suits.

As to our exports to the U.S., we need to avoid a situation of mutual slaughter in which there is a sharp short-term increase in deliveries of certain hot-selling commodities, with all companies swarming to all ports, by bringing the

coordinated management role of all professional chambers of commerce into full play. Such a sharp short-term increase in deliveries would be very adverse to rulings by the U.S. International Trade Commission on whether Chinese export commodities are damaging U.S. industries that make the same commodities.

2. As to Our Exports to the U.S., We Need To Quickly Change from "Winning Through Cheap Prices" to "Victory Through Quality."

So-called dumping is selling large quantities of commodities at prices below production costs to squeeze out competitors and quickly take over markets, and then raising prices to reap enormous profits. So prices are the crux of antidumping cases. As to staple commodities that China exports to the U.S. in quantity and that have already acquired a certain U.S. market share, while moderately increasing such quantity, we need to endeavor to raise our quality, increase our variety, upgrade our packaging, and improve our after-sales service, as well as making timely raises in our selling prices in line with market conditions. Even for commodities that we export in smaller quantity, we still must not force prices down too low. For instance, while we export only a little more than \$300,000 worth of potassium permanganate to the U.S., with little market share, we are still charged with dumping because our prices are too low. So the business staffs of Chinese exports companies need to understand that while making endless concessions to import firms that drive down prices of exports to the U.S. may increase exports for a time, it also lays a trap for them!

3. In Responding to Antidumping Suits, We First Need To Select Reputable and Experienced U.S. Lawyers.

With the guidance of lawyers, we need to promptly fill in U.S. Commerce Department investigation forms. We need to take an active initiative in providing our lawyers with full material and data, so that they can prepare persuasive defense briefs. We need to help our lawyers do all possible to choose foreign enterprises whose selling prices are lower or similar to those of our products as references for substitute economies or computation of production-factor costs. In the whole case process, we need to pay attention to respecting our lawyers' views and stimulating their initiative. While U.S. trade laws are very complex and overelaborate, they contain loopholes and conflicting parts, with legal loopholes experienced lawyers with good ideas are adept at exploiting.

Yunnan Trade Company Profiled

94CE0651A Kunming YUNNAN RIBAO in Chinese
7 Jun 94 p 1

[FBIS Translated Text] The Provincial International Economic Technology Cooperation Company has come into its own during this momentous time of reform and liberalization. Freed from ideological restraints and sensing an opportunity, it boldly entered the competitive international market. In the last ten years, it fought hard against fierce competition in the international projects contract

market. Now this company is a gigantic business bringing in much foreign exchange. It has capital worth 100 million yuan. It has an outstanding reputation for management performance. It has worked on five continents. The company's success rate in getting bids is as good as any rival in the entire world. It has become a "locomotive" for the rapid development of Yunnan's foreign-geared economy.

In the last ten years, this company has won bids on 87 large and medium-scale project contracts. They have come from all around the world, although primarily Asia and Africa. 73 of them were finished on time, a feat not unnoticed by the customers. These projects have meant over \$166 million in contracts. Additionally, the contracts have meant the export of services, technology, funds, and complete sets of equipment from the province. As an example, as many as 10,000 tons of PRC-made equipment and raw material were sold on the international market. This alone brought in \$10 million. As a result, a hundred or so businesses from throughout the province have opted to try their luck in the international market. These businesses cover 18 industries and come from eight different prefectures. Last year, this company finished in the top 50 in contracts and turnover volume among 320 rival national companies that have permission to do business abroad.

This company was set up in June 1984. How is it then that a small unknown company from a border area and a relative newcomer as well was able to do so well in the fiercely competitive world market? The company's management told reporters that it is entirely due to the PRC's reform and liberalization policies. It has benefited from loosened ideological restraints and has sought to seek truth from facts. Moreover, the company has been aggressive and daring, unafraid of trying things new. In its earliest days, the company had only a telephone and over 20 inexperienced cadre on temporary assignment. It relied upon loans and borrowed residence and offices to get started. It was up against fierce competition in the international market and faced numerous other difficulties. Nonetheless, with the support and encouragement of the provincial party committee, the provincial government and other pertinent departments, this company boldly enacted a policy of "stepping up training of talented people, suiting measures to local conditions, enhancing strengths while avoiding weaknesses, emphasizing practical results, and steadily growing." It sought to fully utilize Yunnan's geographical advantages and expertise in mountain highways, bridges and small and medium-size irrigation and electric power stations construction, in nonferrous metals extraction, in tree felling and processing, in tobacco, tea, sugar, and rubber growing and processing, and in farming in areas near dams. When it was lacking in qualified personnel, the company went to the schools and academies for assistance. When pressed, it used OJT, temporary assignments, high-incentive hiring, and cooperation between units in order to get the job done. In the absence of markets, the company adopted a management strategy of "not caring that the projects were small, not caring that only a few personnel are being utilized and not caring that it's barely profitable." Regardless of the size or

difficulty of the job, all were valuable experiences for growth. If there were communications or funding problems for large projects, the company went to different national and regional organizations in order to improve its communications facilities and set up an information net for rapid feedback handling. As a way of making itself more competitive, it has used both self and joint management, has taken full and partial contracts, has limited its risks, and has sped up capital turnover. After years of hard work, it finally came up with a method for standing firm in the international projects contract market. It put together a strong, proud, and battle-tested international business team. With its impressive foreign earnings and obvious successes, this company has led the way for Yunnan's rapid entrance into the international projects contract market.

In ten years time, this company has trained a large group of multitalented young people who are skilled in tendering international market bids, doing project management and administration, and in drafting both domestic and international contracts. They have good negotiating skills and are adept in foreign languages. They have the ability and the expertise to have done a brilliant job on major projects worldwide worth as much as \$10 million. Of this company's 87 projects, five were worth \$10 million with another 20 worth \$1 million each. All 73 of the projects completed have been done to accepted world standards. Prior to acceptance, the customer had consulted project quality evaluating departments that were using high international standards as their criterion. In the last ten years, this company has torn down regional and bureaucratic barriers in its 87 projects. It did this based upon necessity and type of work in production. This company, on a basis of equality and mutual benefit, turned to about 100 small businesses in eight prefectures in Yunnan for help. They deal in architecture, metallurgy, water and electricity, post and telecommunications, mining, forestry, textiles, construction, and chemicals. Altogether there are 18 different industries covered. These small businesses are all walking in unison to compete in the international market. They have become the Yunnan Projects Contract Financial Group. Each member is daring and capable, possessing special skills developed through training. They also complement and supplement each other. Thanks to this effort, Yunnan has made its breakthrough on the world scene and is vigorously developing its own international technology. From our reporter Li Qichang.

Sichuan Official on Foreign Investment in Basic Industries

94CE0769A Chengdu SICHUAN RIBAO in Chinese
9 Aug 94, p 6

[Article by Wang Shihua (3076 0012 3478), Chinese director general of the United States Record Group, Sichuan provincial government Hong Kong-Macao Coordination Council member, and lifetime member of Stanford University, Commerce Institute Alumni Association: "Utilizing International Capital to Promote the Development of Sichuan's Basic Industry"]

[FBIS Translated Text] Sichuan is China's most heavily populated province and a large province with such abundant resources as waterpower and minerals. In both its market potential and its developmental prospects, it has obvious regional economic advantages. The Sichuan provincial party committee and provincial government have explicitly proposed the new line of thinking of "using opening up to promote development" and "establishing basic industries and basic facilities by introducing and utilizing foreign funds." This line of thinking conforms with Mr. Deng Xiaoping's thinking that "China's development cannot be separated from the world" and "without opening up there can be no development" and also conforms with the actual situation that in one respect Sichuan's own capability for accumulating funds is weak and in another respect there also is the requirement to achieve the supply of a large amount of funds in a short period of time. But it is not an easy thing for Sichuan's basic industry and basic facility projects to truly attract international capital.

So, I am expressing some frank opinions based on the cumulative experience of the United States Concord Group in investing in China beginning from eleven years ago and the experience that we are having promoting some large basic industry investment projects in China's Sichuan Province and some other regions.

I. Further open up the market to provide even more investment opportunities for international capital.

Development of such basic industries and basic facilities as transportation, energy, communications, raw materials, and public construction is characterized by large investment and a long developmental cycle, and involves many restrictive factors. For a long time, developing countries have mainly depended on the strength of the state treasury to carry out investment and have relied on legal and government administrative means to coordinate such aspects as land requisition and use of resources, mainly relying on government organizations or state enterprises to operate and manage markets formed with a highly centralized government authority. China's situation also was like this. In fifteen years of reform and opening up, China has used quite a lot of foreign funds to develop basic industry and basic facility projects, but it still is mainly limited to using World Bank loans and loans from various countries' governments. The state still is required to put in a large amount of accompanying funds and the state still is required to take responsibility for repaying the debt. There are not many examples of the use of private international capital at all.

Because it has only been fifteen years since the Chinese economy began to convert from the planned economy system to the market economy system, the market economy system still is not sufficiently perfected, the market pricing system still has not been completely established, and we still must contend with inflation. The government still continues to control the prices for some basic industries such as railroads, highways, airlines,

waterborne transportation, and the primary energy industry to curb rises in downstream product prices and safeguard the people's livelihood, causing these industries to be in a situation with minuscule profits, or no profits, or even government subsidies. The government also must maintain major control on some other basic industries with rather high profits such as the secondary energy industry and certain raw material industries and land development industries, so that the state can obtain most of the profits, ensure state treasury income, and increase the state's strength in controlling the economy.

Under these circumstances, as far as private international capital is concerned, basic industry and basic facility development projects are not very small risks, but very large risks. Because for multinational corporations and international financial groups to invest in large basic industry projects, they require the transfer of huge amounts of money and making long-line inputs, they not only must employ their own accumulated funds, but also must rely on international commercial capital markets to raise the majority of the funds. And the costs are rather high to raise funds on international capital markets. The investor must be given a considerable feeling of security and a rather high return on the capital, and this capital return must be supported by actual business achievements and distribution of profits, before it can be profitable. But in China's present situation, simply relying on the basic industry project itself, it is very difficult to reach this point. This causes private international capital not to dare to rashly enter basic industry projects.

The way to change this situation is to broaden the opening up, that is to further open up some markets that formerly were under highly centralized government control for international capital to invest in basic industry projects and further open up some industrial markets related to basic industries, so that basic industry projects can obtain profit remedies from related industries. Then it can cause international capital to truly feel that the lagging basic industry and basic facility situation can become a real investment opportunity that international capital truly can seldom obtain.

II. Further strengthen government macroeconomic control and services for the development of basic industries and provide international capital with reliable investment guarantees.

The present market economy early on was not totally free, but was a market economy under state macroeconomic control. International society has all along admired the Chinese Government for adopting reform measures that, on the one hand, reduced government interference in enterprises and in microeconomic control of the market as much as possible and, on the other hand, strengthened the use of economic levers and promoted structural adjustment industrial policies and strengthened the economy ruled by law.

Only if basic industry and basic facility development projects are under strong host country government macroeconomic control and protection can they become hot

points for the investment of international capital. So, policy adjustments of governments at every level must conform to the long-range objectives of world economic development trends, not suffering interference from short-range, partial economic fluctuations, and maintain relative stability and continuity, causing international investors to have somewhat fewer indecisive factors and somewhat more guarantees of reliability in the total process of project feasibility studies, investments, and operations. If they do not reach this point, it could create huge losses for international investors and attack their investor confidence. Government policy adjustments should be implemented as systems through appropriate legal procedures, so that they cannot be different from what is intended or change their shape because of changes in the organizations in charge or the people in charge or the standards of relevant personnel. Only then can the legitimate interests of international investors be fully guaranteed.

Multinational corporation and international financial group investment in basic industry and basic facility projects still especially need the cooperation, service, and concrete support of governments at every level. Without effective government assistance, there is no way for international investors to resolve such issues as land requisition, personnel removal and transfer, and use of associated facilities in China. With China's present economic operating mechanisms, if certain major projects cannot be listed in the government plan for key development projects, they cannot even resolve such issues as transportation, energy supply, and short-term finances. In several basic facility development projects, the government often directly represents the state, acting as contract issuer or co-investor. If the government and international investors cannot do a very good job of overcoming cultural differences and differences in viewpoints and cannot cooperate in the spirit of seeking the larger interests while having minor differences and equality and mutual benefit and each side considers only its own interests and brings up excessively harsh demands to the other side, it can influence smooth project negotiations, preparations, and implementations, resulting in damage to the interests of both sides.

In recent years, the level of assistance and service energetically, enthusiastically, and effectively provided to international investors by the Sichuan party committee and government and relevant departments and local governments and relevant departments at every level in Sichuan Province has greatly improved. The fact that several basic industry and basic facility investment projects pushed by the United States Concord Group in Sichuan can proceed rather smoothly is inseparable from strong support of governments at every level.

III. We must further emphasize the training of a large group of talented people who understand international capital operating procedures to provide international capital with effective investment administration.

Capital operations must rely on high-quality personnel to be carried out. Multinational corporations and international financial groups raise huge sums of money on the international capital market. Investment in Chinese basic industry and basic facility projects, whether it is in the form of sole investment by foreign firms, joint Chinese-foreign investment, or Chinese-foreign cooperative enterprises, or is carried out in contract development, contract management, or BOT form, introduce a large group of talented Chinese management and technical personnel to participate in enterprise operations at every level. Major people in charge related to the projects at every level of government and personnel in government economic management departments must participate in such project activities as selection, approval, cooperation, supervision, and service. Their personal qualifications also are closely linked to the success or failure of the projects. This means that effective management and the success obtained from investment projects are to a very great extent determined by whether or not the international investor can find a large group of talented people in China who understand capital operations, as well as whether or not they deal with Chinese officials who truly understand the business.

As regards the current talent situation, China is by no means totally lacking in high-quality technical talent. China's talent problem shows up mainly in the lack of a large group of outstanding management talent. Because in the past there was a distinct difference between the economic environment that Chinese management personnel were in and the economic environment of the vast majority of the world's countries, and even now, there still is a considerable disparity, there are a number of differences between the economic concepts of Chinese enterprises and economic management personnel and those of people in the same trades in other countries. But international capital operations precisely require that management personnel conform to general international economic concepts. It is extremely difficult to change concepts. So, training management personnel also is extremely difficult.

Governments at every level in Sichuan Province should make it an urgent matter to train a large group of talented people who understand international capital operating mechanisms and give full emphasis and cooperate with multinational corporations and international financial groups to accelerate the pace of training this group of talented people. This is not without basis. In fifteen years of reform and opening up, China has had a number of young and middle-aged management personnel who have undergone various types of training at home and abroad and learned relevant basic information. The important thing is that we should not reduce talented personnel to one pattern. We should entrust them with important tasks and allow them to participate in actual international capital operations, so that they can acquire practical training, build up experience, and mature as quickly as possible. The government should reform its administrative methods for circulating talent, so that talented people who have prospects for development can without hesitation go to work in basic industry and basic facility projects that

international capital participates in. As regards personnel not suited to work in these projects, we should provide a safe way out that is appropriate to the person's specific situation. As regards enterprise management personnel and government economic managers who have not undergone training but have prospects for training, we must conduct thorough, not perfunctory, training with theory linked to practice and not divorced from practice. Training channels are many and varied. As long as we put ourselves into the work and strive, we certainly can see big results.

Labor

Article Outlines Wage Adjustment Trend

94CE0747A Beijing ZHONGGUO XINXI BAO
in Chinese 5 Aug 94 p 1

[Article by Di Huang]

[FBIS Translated Text] It is an objective prerequisite for establishing the socialist market economy that remuneration is determined by market mechanisms; this will cause the current remuneration system to continue changing fundamentally. As reform gradually accelerates, China will see the following 10 changes in its remuneration system:

1. The government will gradually relinquish direct control over state-owned enterprises' remuneration aggregates; it will no longer be the principal party handling remuneration distribution in enterprises or "haggling prices" with them. Once the management of state-owned enterprises becomes market-oriented and the modern enterprise system is established, state-owned enterprises will have a completely free hand in distributing remuneration.

2. Remuneration input and distribution in enterprises will become a microeconomic matter. As a norm, remuneration issues will be negotiated between managers and workers according to law and democratically. Given China's political and economic character, as well as the wide economic benefit gaps among different regions, trades, and enterprises, a centralized style of collective negotiation is impractical; however, such negotiations can be conducted smoothly at the enterprise level.

3. Remuneration growth in any given enterprise will be controlled by various market systems, such as the product market, the labor market, and the monetary market. Released from the government's passive control, remuneration growth will be actively "guided by the market and checked through negotiation." Enterprises must consider comprehensively the labor-cost level in the competition for the product market, the remuneration level in the competition for the labor market, and the profit level in the competition for funds and balance the three levels well.

4. The government will no longer consider ownership in regulating and controlling enterprises' remunerations. It will no longer "bind state-owned enterprises, lead collective enterprises, and neglect other enterprises"; instead, all types of enterprises will be subject to the same market mechanisms and the same regulations and control.

5. In regulating and controlling remunerations, the government will focus on the remuneration level (namely market remuneration rate) in lieu of the remuneration aggregate. The government will try to influence the market remuneration rate through its financial, monetary, employment, revenue, and training policies, and by adjusting the economic growth rate and the supply and demand in the labor market.

6. The government will supervise enterprises' remunerations through legislation and enforcing laws. The Labor Law, soon to come into being, will provide a favorable condition for formulating a wage law. Apart from the minimum wage, which will be protected and adjusted by law, the rights and obligations of the two parties concerned in any given enterprise, as well as the procedures for negotiating remuneration, payment of remuneration, and special compensation standards (such as overtime pay and abnormal working hours pay), will be regulated by law and implemented accordingly under the government's strict supervision.

7. In regulating and controlling tax revenue from remuneration distribution, the government will shift its focus from workers' income from remuneration to residents' composite income, from the legal people of enterprises to individual residents, and from the distribution fund aggregate to the income differences among individuals as a result of remuneration distribution. In so doing, the government hopes to handle properly the imbalance that may occur while trying to achieve both a rational distribution mechanism and a fair distribution result, to ensure remuneration income, and to eliminate the unfair distribution of social income.

8. Once the national unified standard remuneration system and various allowances are abolished, the remuneration structure will be rearranged according to each enterprise's specific needs. General living cost allowances and the so-called "premiums" subsidizing living costs will be integrated into the negotiated basic remuneration, the payment of which by enterprises will be strictly bound by law. Enterprises have some flexibility in giving bonuses and in-house allowances in accordance with common practice and their own remuneration system.

9. With each enterprise controlling the source of its remuneration funds, the remuneration system will become further diversified, more in tune with each enterprise's character, and better suited to the production process, the management level, and workers' wishes, so that it may operate steadily and produce effects in a given period of time.

10. Enterprise managers will become a relatively independent and fairly competitive professional group, their remuneration level will no longer be tied to that of workers, and the remuneration gaps between different enterprise ownerships will be gradually eliminated. Each manager's annual salary should be determined by his or her enterprise's operational scope and performance and the increase of the enterprise's assets; his or her own personal

qualifications, experience, reputation, and prestige; and the board of directors based on the going rates in the market or among similar enterprises.

Population

Causes, Effects of Lopsided Sex Ratio

94CE0654A Shanghai SHEHUI [SOCIETY] in Chinese No 114, Jul 94 pp 6-8

[Article by Wang Xuelun (3769 7185 1510): "Sounding the Alarm: The Imbalance Between Males and Females." Edited by He Yulin (0149 3768 7792)]

[FBIS Translated Excerpt] [Passage omitted] Among the data on the fourth national census released to the world through the NEW CHINA NEWS AGENCY by the China Bureau of Statistics on 30 October 1990, we can find group after group of data which are very much out of balance. Among the 1.16 billion people in the 31 provinces, autonomous regions and municipalities, males represent 51.6 percent and females 48.4 percent. There are over 36.8 million more men than women! Of these, there are some 15 times as many single males in the 25-49 year old age bracket than there are single females of the same age! Currently our population's natural birthrate is 1.968 percent, but the ratio of male births to female births is 114:100! Which is to say that of the more than 23 million babies born each year, there will be almost 600,000 more males than females!

In 1992 a nationwide population sampling survey of several cities and provinces revealed the crisis again. In Hunan Province, male population exceeds female population by more than 2.5 million; in the 1 to 9 year age bracket, males exceed females by 460,000! In Jiangsu Province, unmarried males over 22 years of age number almost 720,000 while females number only 420,000! In Shanxi Province, in one county sampled, the rural village ratio of males to females was 121:100, but in the 20-25 year age bracket, the ratio was 150:100! In Hubei Province, in one county sampled, the 1984 male to female birth ratio was 105:100; in 1989 it had risen to 127.45:100 and by 1991 it had skyrocketed to 300:100! In Anhui Province, the male to female population ratio was 112.5:100! If 100 females is taken as the basis for calculating the male population, then those provinces with more than 100 males include Guangxi, Guangdong, and Henan; those provinces having between 108-109 include Shandong, Shaanxi, Zhejiang, Fujian, Hebei... From this series of data it is not at all difficult for us to uncover one fact: the imbalance of males over females is no longer a problem of one family, or one household, of one district or one county or one province, but is a fact nationwide. What should worry us more is the fact that the severity of this imbalance increases in inverse proportion to the age category: as the age of the category decreases, the imbalance in the ratio between males and females swiftly widens and this implies that by the end of this century our nation is going to have an army of bachelors numbering some 70,000,000 strong! This is equal to 1/16th of our nation's present population!

At that time, the losses, effects, and harm created by this type of imbalance will be of a magnitude difficult to predict and impossible to remedy! [Passage omitted]

"Of the three failures in filial duty, lack of posterity is the worst" and our ancestors have imparted one special meaning to this concept of "posterity": male children. From the past even to the present, this "cultural tradition" is deeply entrenched in the minds of today's people. In order to have a male child, some people will break the natural law and even think nothing of risking universal condemnation, some have enacted numberless human tragedies using perverse rules and regulations, devoid of moral principles and ethics, even to the point of extinguishing human life.

One tragedy: in order to have a son, the man hounds his own wife to death. This is a true and poignant tale which took place at a certain coal mine in Sichuan. A miner named Li wanted a son so badly he even dreamed about it; when his wife, risking several thousand yuan in fines successively bore him three "worthless daughters" he lost his mental balance. Just about every day, for any or no reason at all he would beat and curse his wife. The subservient wife, often beaten black and blue and bleeding, dared not raise her voice or hand, believing that in giving her husband three daughters she had shamed her husband, and hoped that her husband was somehow recompensed in his cursing and beating of her. One cold winter night, returning drunk to his house, Li empowered by drink, broke through the door, drug his sleeping wife from her bed.... The next day, unable to bear Li's unreasonable beratings and beatings, and having no other way out, Li's wife, bearing eternal misery and regret, departed this world.... After the fact, despite the fact that Li's doings were revealed and he received deserved punishment, the tragedy had already been irremediably enacted.

A second tragedy: In theory Liu and his wife Wen should have been a happy and cozy family of three. The two parents worked for a money-making company, and their lifestyle early on had gone beyond the "comfortably well-off" phase. What would especially cause one to envy them was their innocent and lively two year old daughter. However, good times do not last long: when their compatriots one after another began cuddling, playing with and sweetly calling to their "dear sons," the hearts of the couple holding their daughter began feeling unhappiness. "Let's have a son we can cuddle!" Without saying as much, both parents were thinking the same thing. However, according to the rules of their unit, if they had a child above quota, not only would they be fined, but would also lose their positions. What to do? "You can't have your cake and eat it too: you can't have a son and a daughter too." Distraught to distraction with thoughts of a son, the couple prepared to exchange the life of their daughter for a son. Thus a tragedy in which parents irrevocably cruelly killed their own daughter by the workings of their own hands was enacted by this couple dazed by their "desire for a son." When the stern judge sentenced them to death and immediate execution, they had long since dropped to the floor

from the witness stand and tearfully crying: "We killed our own daughter, and now have killed ourselves !.... [Passage omitted]

Modern science should create human happiness, but under the viewpoint of "lack of posterity is the worst sin" some medical procedures have become the "miracle cure" for killing females. For instance, the widespread use of ultrasound has become the "secret weapon" for bearing sons and avoiding daughters; in an instant it has come in to disrupt mankind's natural rate of birth increase and without obvious notice has become the "accomplice" in the murder of female fetuses. In a moment, the ultrasound room has become the hospitals' most popular specialization. Every day, the area outside the door is jam-packed with pregnant women from all levels of society, accompanied by their husbands or family members, patiently awaiting the "ultrasound judgment." Many hospital workers, disregarding party discipline and state law, openly use their "ultrasound" room as their main source of income, doing huge numbers of fetus sex determinations, reaping great ill-gotten wealth. Some of the people doing "ultrasound" procedures have no regard for professional ethics, pay no attention to laws or regulations, and give the green light to all of their friends and relatives, even go so far as accept bribes. Such phenomena should make us angry. [Passage omitted]

If you read our laws and regulations on the position of men and women and their rights, one cannot find one clause that allows bias against women. In the decades since the founding of this nation, in their principles and in their policies, the party and the government have consistently placed women's position at the highest level, and in some instances even given them special treatment. However, in real life, the evil phenomena of all types of depreciation of the status of women and the expropriation of women's rights must cause us to wonder. Some people, when it comes to work, housing allocation, work allocation, and even, after working side by side, in the distribution of the fruits of their labors, resolutely tip the "balance" in the favor of the male. How unfair! As far as these citizens who retain the feudalistic mentality of "regarding men superior to women" are concerned, how great a stimulus is this when it comes to the question of having children? What are the fruits that this "stimulus" has left behind for our next generation?

The results of the fourth population census have already shown that nationwide we have 548,732,579 females and 6,210,000 more males are born than females. And to date, the ratio of male births to female is still at the 114:100 level. Calculating from this, by the end of the century, our country will produce an excess of 30 million males, which added to the present excess population of 36.21 million, at that time our country will have about 70 million men with no possibility of finding wives. What does this 70 million mean? It means that this nation will have a male population equal to the total population of two provinces, all of whom will be bachelors. If we continue to allow this imbalance, the family and social problems which it will

cause are unimaginable. For instance, since the severity of the male-female imbalance has a certain regional quality, the difference in the male-female ratio among areas must become a tremendous impetus toward marriages by purchase and the abduction and selling of females. The system of social order, especially the phenomenon of sexual crimes will increase unstoppably. Because such large masses of males are unable to find female companions, physiological and psychological sexual aberrations must lead to prostitution, pimping, rape and other criminal activities. It is little wonder that a sociologist once expressed the following feelings about the problem of population imbalances: "An uncontrolled human population will eventually create an economic crisis, but when the gender of the population is uncontrolled, not only will an economic crisis be created, but also a social crisis. This is because people of a single gender, under the workings of their own physiology, not only cannot manage their own work, but also cannot carry on normal human self-production. Once this restlessness is transferred from the person's own self and strikes out, it will wreck tremendous havoc upon society, on government, on laws and on morality." [Passage omitted]

Reform of Household Registration System Urged
94CE0767A Beijing FAZHI RIBAO in Chinese
22 Aug 94 p 2

[Article by staff reporter Jiao Qingle (3542 1987 2867): "Household Registration System in Urgent Need of Reform"]

[FBIS Translated Excerpt] [passage omitted] Around 1992 some cities and counties in various parts of China, in making a further step in major reform and opening up to the outside world, accelerated the development of city and town construction and of the tertiary industry, so that some peasants would, as fast as possible, be separated from the limited land. In the name of the economy of moving into cities to become prosperous through commerce, at the same time, for the purpose of accumulating funds, there began to appear cases of receiving money for handling outside-plan transaction in which "agricultural household registration was changed to nonagricultural household registration," and in some places nonagricultural household registrations were sold openly.

In some other places people dared to proclaim in writing the holding of auctions, and they put up notices to this effect everywhere that stipulated the scope and standard fee for "changing agricultural household registration to nonagricultural household registration." In some other places, under the banner of "boldly experiment, boldly change," people "do not publicize, do not instigate, do not compel; there is freedom to buy or back off from buying, and when money is put out the thing is done."

Paying money to buy a "change from agricultural household registration to non-agricultural household registration," and in one day changing the "hereditary" peasant status—to many people this is really attractive. For a time,

in these cities and counties, at places where the transaction "to change agricultural household registration to non-agricultural household registration," long lines formed, traffic was blocked, there was a hubbub of voices, and bends occurred in the lines. Peasants in surrounding villages and townships filled satchels and flour bags with money they had earned by their blood and sweat and had saved for several years to conduct a transaction in which "agricultural household registration was changed to non-agricultural household registration. Directly inspired by the government, the efficiency of the interlocking work done by public security, financial, and grain departments was quite high. One hand passes over the money; one hand handles the household registration. In some places they even continued to work by lamplight and put in extra hours.

This unplanned selling of household registrations not only causes a serious loss of control in city and town population, but also adds to the cities' burden by bringing difficulties to a city's employment, education, health, and public welfare undertakings. It seriously interferes with the party's and government's deepening of reform, expansion of the opening up to the outside world, and thorough implementation of all policies, thereby increasing the factors for instability in society; it causes confusion in the household registration control system; and it creates a large amount of vacant household registrations, dual household registrations, and "shady people" and "shady households" whose in-hand credentials for household registration cannot be implemented.

III

Before 1987 the rate at which China's surplus agricultural labor force was transferred was extremely slow. In the 26 years from 1952 to 1978 the proportion of China's agricultural population in total population fell from 87.5 to 82.5 percent, an average annual drop of only 0.25 percent; and the proportion of the agricultural labor force in the total labor force of society fell from 88 percent to 76 percent, an average annual drop of only 0.5 percent. This was precisely the period in which many countries of the world took a big stride toward urbanization and the proportion of the agricultural population fell rapidly. In the years 1950 to 1980, the proportion of Japan's agricultural labor force fell from 48.3 to 10.8 percent, and South Korea's fell from 74 to 34 percent.

After an intensive investigation, two comrades of the Jilin Provincial Public Security Department concluded that, following China's constant deep involvement in reform and opening up to the outside world, especially after the publication of Deng Xiaoping's speech in 1992 on his southern tour and the implementation of the 14th CPC Congress' theory on the establishment of a socialist market economy system, the theoretical foundation of the existing household registration movement policy was fundamentally shaken, revealing all sorts of corrupt practices that were unsuitable to the existing movement policy and the establishment and development of a socialist market economy.

First, the existing household registration movement policy is disadvantageous to the development of the economy of small cities and towns and to the rational transfer of the rural surplus labor force. According to statistics, in Jilin Province there is a total of 59 million mu of cultivated land and there are more than 5.46 million members of the province's rural labor force. Calculating that each member of the labor force can cultivate 20 mu of land, we reach the conclusion that there is a surplus labor force of about 2.7 million persons. If the skilled craftsmen among these people are allowed to engage in work and trade and to set up tertiary industries, the development of the urban and rural economies will be greatly promoted. However, the existing household registration movement system does not allow them to go into cities and towns and settle down; even workers and cadres under agricultural household registration who have already been recruited under the contract system or the tender-bid system cannot "change from agricultural household registration to nonagricultural household registration" and settle down.

Next, the existing movement policy on "changing agricultural household registration to non-agricultural household registration" is disadvantageous to controlling the size of the population in large cities and to developing small- and medium-sized cities and towns. The state's policy of "changing agricultural household registration to non-agricultural household registration" stipulates the number of people who are approved every year for this change, and it does not divide this number by city size or by market town size, but, without exception, strictly controls the number of nonagricultural household registrations within a certain quota at a given place. Thus, a market town in which the non-agricultural population base is small in reality does not have several people who have "changed agricultural household registration to nonagricultural household registration," while a large city every year has several thousand people who come into it and settle down.

Furthermore, the existing household registration movement policy stipulates that for those who have transferred from large and medium-sized cities to small cities to work, the household registration follows their transfer; and for those who go from small cities or towns to large- or medium-sized cities, no matter whether they are transferred for work purposes or they simply make the move themselves, their number must be strictly limited, causing talented persons who should circulate to fear trouble in their rear if they leave, and so they are unwilling to leave the city and go to work in townships or towns or in economically undeveloped areas. In addition, in the special economic zones and developing regions aspect, the household registration movement policy has never been flexible, causing this policy not to form a complete set with other policies, and even conflicting with them, thereby hampering the development of areas that are being opened up. [passage omitted]

Four Major Population Problems Identified

94CE0767B Yinchuan NINGXIA RIBAO in Chinese
8 Aug 94 p 3

[Article excerpted from SHENGHUO YU JIANKANG [LIFE AND HEALTH] and SHEHUI [SOCIETY]: "China's Existing Population Problems"]

[FBIS Translated Text] 1. The total number of the population continues to grow. In recent years China's population birth rate and natural growth rate are still being held up at fairly high levels, respectively as high as 21 and 14 percent; every year the birth population is about 25 million and the net growth is about 17 million. In the middle of this year, the total population exceeded 1.2 billion. The enormous and constant growth of its population puts heavy pressure on China's natural resources and living environment. The average per capita area of cultivated land is only 1.25 mu, one-third of the world's average level; the average per capita area of forest is 1.41 mu, one-seventh of the world's average level; the average per capita amount of fresh water is 2,600 tons, one-fourth of the world's average level; the average per capita food property rights are 380 kg. China has abundant mineral and energy deposits, but if the average per capita amount is calculated, it is less than that of some medium-sized countries.

2. The population structure is gradually aging. China's elderly (60 years and above) population exceeds 100 million, and their life expectancy is about 70. It is estimated that by the year 2000 the elderly population will be 128 million, with a life expectancy of 71; in 2025 the elderly population will be 280 million, 14 percent of the total population, with a life expectancy of 74; and in 2050 the elderly population will be 412 million, 27 percent of the total population. By contrast, the 0-14 age population's proportion in the total population will rapidly fall, from the present 30 percent to 27 percent in the year 2000, 19 percent in 2025, and 16 percent in 2050. There is a rising trend in the proportion of the population that is being taken care of, from the current burden of 0.56 person for every member of the work force-age population to 0.58 person in the year 2000, 0.59 person in 2025, and 0.77 person in 2050.

3. There is an imbalance in the male-female ratio. At present China's natural birth rate is 19.68 percent, but the male-female birth ratio is 114:100. That is to say that in the population of more than 23 million born every year close to 600,000 more males are born than females! A deduction from this is that, at the end of this century, China will have a little over 30 million more males and, adding this number to the present 36.21 million more males, at that time China will have close to 70 million male citizens who will be unable to find mates. It is impossible to imagine the family and social problems to which this will lead. For example: the phenomena of mercenary marriages, marriage partner swapping, and the kidnapping and selling of women will be even more rampant.

4. The population's educational level tends to be on the low side. In recent years China has vigorously developed education. Out of every 100,000 persons, 1,422 have a university education, 8,039 have a senior middle school education, and 23,344 have a junior middle school education. However, there are 180 million persons who are illiterate or semilliterate. About 15 percent of the population; among them 46.54 million persons in the 15-39 age and prime-of-life age group are illiterate. This is extremely detrimental to China's social and economic development.

Socioeconomic Consequences of Negative Population Growth

94CE0701A Beijing RENKOU YU JINGJI
[POPULATION AND ECONOMICS] in Chinese No 84,
25 Jun 94, pp 17-23

[Article by Zhu Guohong (2612 0948 1347) of Fudan University, on behalf of the China Research Team on the Consequences of and Policies Regarding Negative Population Growth: "Negative Population Growth: Is it Beneficial? Is it Detrimental? - Preliminary Research on the Consequences of Negative Population Growth in Shanghai"]

[FBIS Translated Excerpt] [passage omitted]

4. The Characteristics and Demographic Significance of the Population Growth Rate Decline in Shanghai.

It can be seen from the history of population shifts that the negative population growth which will come to Shanghai is actually the result of a precipitous decrease in the birth rate and a continued low birth rate. In comparison, the death rate has continuously fluctuated at a low level, with little change.

If it is said that changes in the birth rate are more greatly influenced by age structure, then the changes in the overall fertility rate, because it is not influenced by age structure, is more indicative of the actual change in fertility rates. The fertility rate of women of child-bearing age in Shanghai in the 1950's was 4.75 (5.04 during 1950-1954, 5.44 in 1954), 2.83 in the 1960's, 1.44 in the 1970's, 1.29 in the 1980's, and 1.33 in 1992. The progression of this change indicates that the overall fertility in Shanghai decreased from 5.02 in the 50's to 1.44 in the 1970's, a decrease by two thirds in less than 20 years. The speed and extent of this decrease can be described as a precipitous drop. Since the 1970's, the overall fertility rate has remained under 1.5, indicating a relatively long period of sustained low fertility rates. If a fertility rate of about two is seen as the standard for replacing the population, then the population development of Shanghai has been under the replacement level since the 1970's. This means that a negative population growth rate will occur. If not for the cyclical effect of the fertility peak during the 1950's, a negative growth rate would have already occurred in the late 1980's. Thus it can be predicted that after this cyclical effect is concluded in the late 1990's, a sustained negative population growth rate will emerge, just as the demographic predictions have indicated.

In comparison with the changes in nationwide fertility rates, fertility rates in Shanghai dropped earlier, faster, and on a larger scale. In the 1960's, the fertility rate in Shanghai had already dropped to 2.83, whereas the nationwide fertility rate did not drop to that level until the late 1970's. The fertility rate in Shanghai continued to drop below this level, whereas the nationwide fertility rate fluctuated, to the extent that in 1982 it even resurged to 2.86. Thus, it can be concluded that the fertility rate decline in Shanghai is at least ten years ahead of average

nationwide levels. Furthermore, the decrease in Shanghai from 4.75 in the 1950's to 2.83 in the 1960's, represents an average annual decrease of 5.05 percent. During the same period, the nationwide average decreased from 5.87 to 5.68, an average annual decrease of only 0.04 percent. Shanghai decreased from 2.83 in the 1960's to 1.44 in the 1970's, an average annual decrease of 6.53 percent. During the same period, the nationwide average dropped from 5.68 to 4.01, and average annual decrease of 3.46 percent.

The direct demographic consequences of the change in the fertility rate are a change in the population growth speed and, in addition, a regrouping of the population age structure. Speaking of the former consequence, the fact that the Shanghai fertility rate decreased earlier, faster, and to a greater degree than the nationwide average means that Shanghai population growth slowed earlier, slowed more quickly, and to a greater degree than the nationwide average population growth rate. It is precisely due to this that when the natural population growth rate of China was as high as 2.8 percent (in 1965), the natural population growth rate of Shanghai had already fallen to only 1 percent (in 1965) and when the natural population growth rate of China was still as high as 2 percent (in 1973), Shanghai had already decreased to only 0.7 percent (in 1973). In 1992, the natural population growth rate of China was 1.6 percent, or approximately the rate in Shanghai in 1965. The natural population growth rate in Shanghai in 1992 was only 0.12 percent.

The impact on age structure of a fertility rate drop in Shanghai which was earlier, faster, and greater than the nationwide average was an earlier, faster and greater change. In the early 1950's, the age pyramid in the Shanghai population was about the same as in the rest of the country, an upright pyramid with a pointed top and a wide base. From the late 1950's, as the fertility rate dropped, the lower part of the pyramid shrank somewhat. After the 1960's, as the fertility rate decreased continuously, the lower part of the pyramid also continued to shrink. As of the late 1970's, it had basically become an embryonic hipdrum-shaped pyramid. The nationwide population age pyramid, however, apart from the unique impact of the late 1950's and early 1960's, did not begin to shrink in the lower part until the 1970's and the degree of shrinkage was much smaller than that in Shanghai. Thus, looking at the proportion of youth (0 to 14 years old) in the population, it can be seen that in 1953, it was 32.03 percent in Shanghai and 36.27 percent in the whole country. The difference between the two was only 4 percentage points, a relatively small difference. As of 1982, Shanghai had decreased to 18.16 percent and the whole country had decreased to 33.60 percent. The difference between the two was as much as 15 percentage points, a large gap. Actually, up until 1992, the whole country was still as high as 28 percent, much higher than the 1982 rate in Shanghai.

Looking at the proportion of elderly (over 65 years old) in the population, it can be seen that the percentage in 1953 was 1.97 in Shanghai and 4.41 nationwide. Shanghai did

not meet up with the nationwide average. As of 1992, the percentage in Shanghai had reached 7.43 percent and the nationwide percentage had only increased to 4.91 percent, much lower than that in Shanghai. Actually, up until 1992, the nationwide percentage only increased to 6 percent, still lower than the level in Shanghai in 1982.

These characteristics of the slowing down of the population growth rate and change in the population age structure indicate that these were directly impacted upon by the changes in the fertility rate and will have a deep impact upon the population developments of the future. These facts will also necessarily bring about a series of socioeconomic consequences.

The Possible Consequences of Negative Population Growth

Negative population growth is the result of a precipitous drop in the fertility rate and a continued low fertility rate. Thus, the consequences which may be brought by negative population growth are also the consequences of a decrease in fertility rates, or the consequence of continued low fertility rates.

The demographic significance of a decrease in the fertility rate, as explained above, includes two main aspects. The first is a slowing of the population growth rate. The other is a change in the population age structure. The consequences of these two aspects of change will impact first upon population development itself and then, through this type of population change, upon the developmental changes of all socioeconomic aspects. (Zhu Guohong, 1992)

The slowing of population growth first implies a delay in population pressure, although it does not mean the alleviation or elimination of population pressure. The momentum of increase in population pressure created by rapid population growth can be contained by a decrease in the growth rate, thus mitigating the various types of tensions created by population pressure. In addition, a slowing of population growth implies a delay in the multiplying time of the population, slowing down the speed of population reproduction, and postponing the schedule for population increase. As far as Shanghai is concerned, the socioeconomic consequences brought about by this situation, on the positive side, have been a slowing down of the pressure on urban development created by a rapidly growing population. As everyone knows, the tremendous pressure on Shanghai's municipal construction and urban development created by the continuous expansion of the Shanghai population due to the rapid population growth of the 1950's is demonstrated by housing shortages, crowded transportation, environmental pollution, low per capita green area, and shortages in water and power resources. A slowing down of the population growth checks the exacerbating momentum in these problem areas. Thus, in terms of this type of significance, mitigating these areas of tension has bought time for Shanghai's socioeconomic development. On the negative side, the slowing down of population growth may create labor shortages in the next

few decades. Especially in consideration of Shanghai's possible tremendous development in the future, this type of labor shortage problem may constitute a manpower development problem for the socioeconomic development of Shanghai.

However, the more probable consequences of a drop in the fertility rate are related to age structure. Even the labor resource problem mentioned above can be categorized as an age structure problem. As stated above, the result of a drop in the fertility rate and a continued low fertility rate is a change in the age structure. This change is demonstrated by a continued decline in the proportion of children and young people in the population, and a continued increase in the proportion of elderly. On the positive side, this change is a juncture in the adjustment of the age structure, allowing the age structure type to make the transition from a growing or youthful type to a stable or adult type. It is advantageous for stable population development in the future. However, this transition is occurring after rapid growth. Thus the age structure transition is sudden, with a relatively large scope of change, and will impact upon future population development. Particularly when it is considered that the fertility rate drop in Shanghai was earlier, faster, and greater than the nationwide average, the degree of change in age structure is then also greater and thus will have an even greater impact on future population development.

The population development consequences of this type of age structure transition are mainly effects upon the future age structure pyramid characteristics. The result is that the population development is often in an unstable condition. This also means that many aspects of socioeconomic development require frequent adjustment in order to accommodate the needs of these changes. For example, when the population is growing rapidly, the capacity of nursery schools, kindergartens, elementary schools and secondary schools must be expanded appropriately. When the population growth slows, these facilities must then be shrunk to an equivalent extent to accommodate the needs of a low fertility rate. These adjustments not only concern facilities. There are also issues of staffing, budget planning, accompanying arrangements and other aspects. Thus, as a decline in fertility rate is a method of reforming age structure, then it is necessary to be careful to avoid causing an excessive number or degree of fluctuations in the age structure during the process of a declining fertility rate. Hence, it is necessary to adopt appropriate measures to stagger and smooth out the fertility peak periods, to form a more stable and rational age structure.

The socioeconomic consequences of age structure transition occur with the change in percentages of different age groups. Of the direct consequences of changes in the proportions of different age groups, the first is a change in the orientation of the burden of the working age population. As the proportion of young people and children in the population decreases and the proportion of old people increases, the burden of the working age population shifts from taking care of children and young people to taking

care of old people. Secondly, there will be a change in the proportion of the working age population. With a youthful age structure, the proportion of the working age population is greater. As it changes to an adult type age structure, the burden ratio decreases. As it changes to an elderly type structure, the burden increases again. Finally the proportion of working age people decreases. The socioeconomic problems brought about by these consequences are closely associated with the proportions of these three age groups in the population. The problems associated with the proportion of children and youth are the birth, rearing and education of children. These problems are related to many aspects of society, such as the problem of schools mentioned above. The problems associated with the proportion of working age people are labor resource issues and the burden of the working age population. The former impacts upon the long-term development of a region. The latter impacts upon individuals and families. Society is thus influenced in these ways. The problem associated with the proportion of elderly in the population is the aging of the population. The problems of an aging population include medical care for the elderly, social security for the elderly, employment for the elderly, and entertainment for the elderly. These aspects are naturally related also to all aspects of society and the economy.

In Shanghai, because the fertility rate dropped earlier, faster and to a greater degree, the consequences listed above not only exist but to a more serious extent than average conditions nationwide. Some of these consequences are already quite conspicuous and have attracted attention. The most prominent of these are the following two issues:

1. The aging population problem.

In terms of Shanghai, this is the most pressing and prominent problem associated with negative population growth. Currently Shanghai has already entered an era of aging population. If the definition of an aging population is when over 7 percent of the population is over 65, then Shanghai entered the era of aging population as early as 1982. Therefore, the aging of the population, as a consequence of a drop in the fertility rate, has already become a realistic problem in Shanghai. What is even more important is that because the fertility rate decrease was precipitous and the rate has been continuously low, the momentum of population aging in Shanghai will be even more dramatic and severe. The aging of the population is a necessary consequence of the transition in population. Many developed countries entered the era of aging population long ago. The problem is the aging of the population in developed countries has been a gradual process of change, but the aging of the population in Shanghai is rapid and on a large scale. The proportion of elderly in Shanghai's population in 1990 was already 10 percent. According to predictions, after the year 2000, the aging of Shanghai's population will increase rapidly. The percentage of elderly in Shanghai's population will reach 14 percent in the year 2000, 22 percent in the year 2020, and 31 percent in 2030 (Zhang Kaiming, et. al, 1990). In 2030,

Shanghai may be the city with the most severely aged population in the world. Actually, France, which began experiencing population aging long ago, as of now still has only 14 percent elderly in its population, although France had already entered a period of population aging in the early part of this century. This progression has only taken Shanghai ten years to complete. Thus illustrates the speed of population aging in Shanghai. Currently Sweden, with the highest percentage of elderly population in the world, has only 18 percent elderly, less than the level for Shanghai in 2030.

In Shanghai, as the era of population aging begins, the problems of an aging population have already appeared. Employment for the elderly, social security for the elderly, family care for the elderly, entertainment for the elderly and other issues have become social problems. This is only the beginning. It is necessary to begin formulating policies early which will address the more serious problems to come with population aging.

2. The problems of only children

The issue associated with the decrease in the proportion of children and youth in the population is the decline in the fertility rate, and the decline in the fertility rate is associated with the "urging each couple to raise only one child" of population control. Shanghai has already experienced over ten years of under 1.5 overall fertility rate. This means that the vast majority of families only have one child. This has also formed, under unique historical conditions, the only child problem. This problem has already emerged as a social issue and has attracted attention. However, this is only one part of the problem. The only child issues include the nurturing, education and other problems of only children as well as the burdens and responsibilities of caring for the elderly of only children after they grow up and become labor power. This also includes the family problems of only children. For example, the current ratio of working age people in Shanghai supporting others is only 40 percent. As of the year 2000 this will increase to 42 percent, and in 2020 it will increase to 59 percent. As of 2050, it will rise to 76 percent. This means that after the generation of only children become labor power, their burden will be about twice as heavy as that of their parents. (passage omitted)

Agriculture

Livestock Industry Output in 1st Half of 94 Reviewed

94CE0790D Beijing ZHONGGUO XINXI BAO
in Chinese 8 Aug 94 p 1

[Article by own correspondent Dong Xiaolin (5516 2556 2651): "Steady Growth of China's Livestock Industry During the First Half of 1994"]

[FBIS Translated Text] Production in China's livestock industry during the first half of this year has tended to grow steadily; main products of the livestock industry have shown very large increases.

According to end of June statistics of all of China's 29 provinces, autonomous regions, and municipalities, production of pork, mutton, beef, and poultry meat during the first half of 1994 amounted to 18.87 million tons, an increase of 2.47 million tons—or 15.1 percent—over the preceding year. With the exception of Shanghai and Guizhou, all provincial entities have had large increases, the largest, namely 590,000 tons in Shandong, and increases of over 110,000 tons also having been achieved in Hebei, Hubei, Jiangxi, Liaoning, Hunan, Jiangsu, Henan, Guangxi, and Sichuan.

Production of pork had maintained its large increases, namely of 10.3 percent over the same period of last year. Beef production increased 38.2 percent; mutton production increased 19.8 percent; poultry meat production was 720,000 tons over the figure for the corresponding period of last year, an increase of 33.8 percent.

An analysis of the reasons for the above-mentioned increases had some relevant persons believing that the meat consumption of rural and urban households had turned from the former preference for pork to a greater variety of meats, including beef, mutton, and poultry. This has resulted in increased market demand, stimulated development of the grazing livestock industry, increased the use of modern scientific livestock raising methods, shortened livestock raising cycles, led to raising the reproductive capacity of domestic fowl, and has thus been the main factor for the speedy increases.

While we were able to ensure a 9.3 percent increase over last year in the number of pigs delivered to slaughter houses, it had still been possible to increase the number of pigs in pens throughout the country by 3.9 percent over last year, reaching 391 million heads.

The reasons why pig farming could achieve this development during the first half of the year were, first of all, that all governments attacked the task of stable development of pig farming as part of the "food basket project," and as an important item that made it possible to raise peasant incomes. A second reason was that peasants found raising pigs very profitable. As prices for main agricultural and sideline products generally went up, prices for meat, as an item of consumption, also rose, and this stimulated the peasants' enthusiasm for raising pigs. The increase in herded pigs provides a solid foundation for the continued development of pig farming.

At the same time as pig farming was developing so well, raising grazing animals also showed excellent prospects.

Following scientific and technological developments and improved methods of livestock raising, the vast number of peasants were able to utilize the abundance of crops and sideline products to develop the grazing livestock industry. In addition, prices for beef and mutton have steadily risen in recent years, exciting high enthusiasm among producers and resulting in the rapid development of the cattle and sheep raising industry in the countryside. According to statistics, the number of large herded livestock at the end

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of June was 137 million head, an increase of 6.35 million head, or 4.9 percent, over the corresponding period of last year. In this figure, the number of herded cattle had increased by 110 million head, or by 6.5 percent. The number of beef cattle delivered to slaughter houses was 8.97 million head, an increase of 2.16 million head, or 31.8 percent, over the corresponding period of last year. In this figure, the increase in Shandong was 580,000 heads, in Hebei 380,000 heads, in Henan 300,000 heads, and in Liaoning 190,000 heads.

At the end of June, the number of herded sheep and goats was 229 million heads, an increase of 16.64 million heads, or 7.8 percent, over the corresponding period of last year. This number comprised 109 million heads of goats, an increase of 12.5 percent; 120 million heads of sheep, an increase of 3.9 percent. By territories, the number of herded sheep and goats declined somewhat in Sichuan, Ningxia, and Guangdong, but increased in all other areas to varying extents. Most increases were registered in Shandong, namely 5.58 million heads, in Henan 2.19 million heads, in Xinjiang 1.47 million heads, in Qinghai 1.43 million heads, in Jiangsu 950,000 heads, and 600,000 heads in Hebei as well as in Shaanxi.

Judging by the overall production in the livestock industry during the first half of the year, peasants in most areas had been developing the livestock industry with great enthusiasm. Market prices had been favorable, demand had also been constantly rising, and as there had been ample supplies, all these facts added up to a large number of factors conducive to a favorable development of the livestock industry. However, milk production continuously declined, pig production declined in some regions of the south, there is thus still hidden danger of instability lurking in the supply-demand situation, a fact which should attract due attention. We must take production as our point of departure when attempting the effective readjustment and reallocation of quantities and of particular items in the supply-demand situation of the market.

Postscript

Production of China's livestock industry during the first half of this year was excellent. As an important component of the "food basket project," development of the livestock industry is an important guarantee for the improvement of the people's living standard and for an increase in peasant income. However, with all these happy tidings, the editor still wishes to express concern about the declining number of live pigs in certain areas. Most of the seven provinces where these declines had occurred are in the economically well-developed coastal region; in Zhejiang the herds had declined by 1.04 million heads, in Shanghai by 250,000 heads, and in Guangdong by 100,000 heads. In associating these declines with the continuously declining production of grain in the southern regions, we cannot but recognize an inherent connection between the two phenomena.

The CPC Central Committee and the State Council have already passed down a resolution to vigorously pursue grain production and to vigorously pursue the "food

basket project," both items issue from the same strategic objective that is being aimed at for the nation as a whole.

"Transferring northern grain to the south" would be an unacceptable proposition, and "transferring northern meat to the south" would be equally unacceptable.

Vice Minister Interviewed on Cotton Production

94CE0790A Beijing JINGJI RIBAO in Chinese
30 Aug 94 p 1

[Interview by reporter Liu Xianghong (0491 0686 4767) of Liu Chengguo (0491 2052 2654), vice minister of agriculture, on the subject of cotton production: "Persisting in Our Efforts To Achieve Abundant Harvests"]

[FBIS Translated Text] [Reporter] Cotton production has declined over the last two years, causing a serious imbalance in the cotton supply-demand situation throughout the country. This has adversely affected the country's cotton textile industry and export earnings of foreign exchange, and has also adversely affected economic development and peasant incomes in the cotton growing regions. The cotton problem has indeed attracted attention of high and low and in all quarters. Would you please discuss the overall cotton situation in China, particularly focusing on the cotton production angle of the problem.

[Liu Chengguo] Recent investigations by the Ministry of Agriculture have revealed that cotton production this year is most evidently in a better shape than last year, as mainly manifested by two factors: First, acreage has again begun to increase. Initial statistics show that the total acreage sown to cotton is somewhat over 81 million mu, an increase of over 7 million mu, or of 9.6 percent, compared with last year. Increases have been registered in all the 17 cotton producing provinces, with the exception of Shaanxi, where there had been a decline, and Sichuan where production had remained the same.

Second, cotton growing conditions have been good. Since the plants started to sprout, China has had very favorable weather conditions; high temperatures and much sunshine had aided development of the young plants. Since June, July, weather in most cotton producing regions has been normal, with the exception of only a few places where drought and excessive rainfall had occurred. As a result, there had been a marked increase in cotton bolls before the start of the "dog-days" of summer. It has been reported from Jiangsu, Hunan, Hubei, and Hebei that there had been, respectively, 2.5, 1.0, 0.5, and 1.0 more bolls per plant. This already has provided a solid foundation for increases in cotton production to follow.

[Reporter] What are some reasons for this year's favorable cotton production?

[Liu Chengguo] First of all, there was the serious attention by the leadership and its set policies. This year, the leadership at all levels, from the Central Committee down to the provinces (autonomous regions), cities (counties), and townships (towns) in the various cotton producing

regions have paid serious attention to cotton production; they implemented the system of personal responsibility at every level, instituted the signing of responsibility undertakings, and adopted other measures in support of cotton production.

Second, there was a more extensive introduction of scientific elements in cotton production. One such element was the continuous expansion of acreage planted to improved varieties. Some high yield, high quality, pest-resistant, and early maturing varieties were planted over wide areas. Effective and well-suited planting techniques were widely developed, such as covering with plastic sheets, raising seedlings to be later transplanted, regulating growth by chemical means, prescribing and applying the appropriate types of fertilizer, planting in standard patterns, etc.

Third, we saw remarkably effective prevention and control of bollworm infestation. This year, our ministry and all provinces have most energetically pursued bollworm control measures. There have been technical training courses, on-the-spot conferences on bollworm control held throughout the country, meetings discussing the development of second, third generation bollworms, and very detailed dispositions made as to organizational leadership, technical guidance, and supply of materials needed in bollworm prevention and control. In most cotton fields, maximum losses due to second generation bollworms were held to below 2 percent, and losses due to third generation bollworms to below 3-4 percent. All these losses had obviously been lighter than in the preceding two years.

[Reporter] May we then expect a bumper cotton harvest this year?

[Liu Chengguo] Presently, cotton production throughout the country appears in excellent shape, and prospects for a bumper harvest are good, but we must also not overlook the problems that still exist. First, some particular areas have suffered calamities: drought has mainly stricken Anhui regions along the Chang Jiang, Jiangsu, Hubei, Shanxi, Shaanxi, and the southern parts of Henan, and there has still been no complete letup in the drought until now. Excessive rainfall has occurred in Hunan, Jiangxi, in the northern parts of Henan, and in the northwestern area of Shandong. According to incomplete statistics, an area of around 15 million mu has suffered from drought and excessive rainfall, and in somewhat over 300,000 mu of this acreage the harvest was lost. Second, losses due to third generation bollworms are serious, and in some areas, especially in dispersed cotton growing areas, control measures had been overlooked. Third, this year there has been a shortage of chemical fertilizer, and its price has been high. As a result, less fertilizer was used for the budding plants, which would then be apt to wither in their early stages. Fourth, the soil quality of the cotton fields has been deteriorating, and the increase in salinity and alkalinity, as well as the increasing acreage turning into wasteland, have been factors substantially reducing the ability of the soil to withstand drought, floods, and other natural calamities. We must therefore not allow ourselves to be unrealistically

optimistic, but must rather exert further efforts, increase our supportive measures, enhance preventive measures against calamities, improve management during the later growing period, and energetically strive for the achievement of ever better harvests.

[Reporter] What particular activities will have to be improved to ensure an abundant cultivation and harvesting of cotton?

[Liu Chengguo] All our energy is presently directed toward improvements in the following areas: First, vigorous development of key points, giving guidance as appropriate to different situations. In the case of large plots of cotton fields with normal growth conditions, we must seasonably prune, cut the tops, and cover the plants well with fertilizer. In arid cotton growing areas, we must actively adopt measures to protect the flower buds against drought. In cotton growing areas with excessive rainfall it is necessary to promptly drain off water and dry out the soil, also to control fertilizing with chemical fertilizers and prevent the spindling of plant shoots. In the case of cotton fields where the plants show signs of early withering, it is necessary to vigorously adjust the soil composition with liquid fertilizer and again apply fertilizer covering the tops. Second, we must take a firm position in the struggle against calamities and in our endeavors to achieve abundant harvests. August and September are critical periods for cotton growing, and are also times of drought, excessive rainfall, hail, early frost, and typhoons along the coast. It is therefore necessary to make all material and technical preparations to cope with these emergencies. Third, we must energetically take preventive measures against fourth generation cotton bollworms, we must effectively tend to organizing and coordinating preventive work, effectively monitor the state of insect infestation, and give technical guidance in preventive and control measures. Fourth, we must select and retain seeds of improved varieties, and, as a major concern, mainly promote high quality plants, eliminate inferior ones, and retain seeds of disease- and insect-resistant varieties. We must do a good job of purchasing, processing, and carefully selecting cotton seeds from good, lush-growing areas, so as to be well prepared for next year's production. From a long-term point of view, we must still effectively improve the basic conditions for cotton growing. We must actively participate in the setting up of large cotton growing counties, must effectively attend to the collection and proper use of fees for the technological improvement of cotton growing, and must exert all our efforts toward the steady and sustained development of cotton production.

Sugar Output Declines by 1.7 Million Tons

95CE0013D Chongqing XINAN JINGJI RIBAO
in Chinese 5 Sep 94 p 2

[FBIS Translated Excerpt] This year sugar output will be about 6 million tons, a decline of 1.7 million tons from 1993, in addition sugar reserves total 640,000 tons, but the volume of consumption is 7.5 million tons. China will import 400,000 tons of sugar.

The market price of sugar is 3,400 yuan per ton. At this price sugar mills are losing money, and it is possible that IOUs will be issued during sugarcane procurement. Because sugarcane prices are lower than rice prices, farmers do not want to plant sugarcane.

Zhengzhou Grain Market Achievements

94CE0736A Nanjing LIANGSHI JINGJI YANJIU
in Chinese No 2, Apr 94 pp 18-20

[Article by Gao Shizhi (7559 6624 0037), Qiao Linxuan (0829 2651 6693) and Yu Xiangyang (0060 0686 7122): "An Historic Breakthrough Achieves Real World Success: In Observance of the Third Anniversary of the Opening of the China Zhengzhou Wholesale Grain Market"]

[FBIS Translated Text] Since the opening of the China Zhengzhou Wholesale Grain Market (hereafter called the Zhengzhou Market) on 12 October 1990, three years have now passed. Over the last three years, starting as an over-the-counter wholesale market, it evolved step by step into a futures market. With two breakthroughs achieved, it began to form a pattern where spot transactions and futures trading both exist together, and go on at the same time. The successful operation of a market in spot goods, with the robust development of futures transactions, was in keeping with the objective requirements for the development of a commodity economy, and was a bold, forward-looking move toward the establishment of a socialist market economic system, that opened up a new pathway to the reform of China's distribution system. Experience has proven that the State Council's decision to operate the Zhengzhou Market on a trial basis, was entirely correct, and was a successful step toward a market economy.

I. Three Years of Successful Experience

A. Spot transactions are going on successfully

The Zhengzhou market is a pilot project in China's reform of its distribution system. It consistently upholds standards of good practice, in strict accordance with the dictates of trade regulations. It has established a complete system of operations, improved its service functions, and aggressively organized trading activities. Its influence constantly expands, its appeal is constantly growing, and it constantly displays its effectiveness as a means for macro adjustment and control in China. Its social and economic utility is obvious.

1. It has encouraged the rational utilization of grain resources. Through its network of more than 380 members, who are located in more than 20 provinces, municipalities, and regions throughout China, and who are involved in grain, commerce, supply and marketing, foreign trade, light industry, agriculture and stock breeding, and other industries, it has a trading volume of four million tons of edible oil, with a total value of 3.5 billion yuan. The contract fulfillment rate is higher than 90 percent. There have been no cases of triangular debts, and basically no large commercial disputes have occurred. Especially, the Zhengzhou market gained experience in organizing large-scale events in edible oil trading this

April, at the Nanjing Grain Trading Convocation where it successfully organized, together with the China Grain Trading Company, and other units, an auction where by 19 wholesale grain markets and more than 300 member units participated. Its market mechanism is becoming more mature every day.

2. It has promoted the construction of a nation-wide market system. The Zhengzhou market has used all kinds of methods and all kinds of channels, to familiarize people with the nature, purpose and significance of the Zhengzhou Market. It has received more than 20,000 visits from both Chinese and foreigners, belonging to various professions, so as to improve people's view of the market. In the midst of the explosion of vigorous market building that is going on all over China, it not only has advanced reform in the grain distribution system, but also has pushed forward the development of various kinds of markets in materials, metals, chemicals, commerce, light industry, agriculture and stock breeding, and other industries, and promoted economic reform in related departments.

3. It established the basic principle of standardized markets. The Zhengzhou market is a new kind of market, where contemporary international principles of commodity exchange are being introduced, and where there is structure, limits, and standards. It has earned the recognition of society for its unity, openness, fairness, standards and service orientation, which will help to eliminate bad practices in the distribution of commodities, and advance the civilized progress of commodity exchange.

4. It made a favorable impression overseas. The international community sees the establishment of the Zhengzhou market as "a major sign of determination to continue reform and opening up," and "an important milestone in the development of the market economy." Since the Zhengzhou Market opened for business, officials, experts, scholars, and news reporters from more than 10 countries and international organizations have come to observe, study, or gather news. The Zhengzhou Market has also accepted many invitations to go overseas to observe and study, or to participate in international symposiums, thus promoting international economic exchange.

5. The "Zhengzhou price" has become the guiding price for grain transactions throughout China. The "Zhengzhou price" is arrived at through open, fair, and equal competition in the Zhengzhou market. It reflects China's supply and demand situation, market trends, and price levels. Its publication, in China and abroad, has changed the previous situation, where China had no single guiding price, prices were distorted, and signals were confused, and has drawn attention both in China and abroad. Producers and managers use the "Zhengzhou price" as a guide in their decisionmaking, and research organizations outside of China rely heavily on it when analyzing China's grain production and distribution.

B. Futures transactions are proceeding as they should

The goal set by the nation for the Zhengzhou market was to experiment in futures trading. The Zhengzhou Market's

successful operation of transactions in long term spot goods also laid a foundation for experiments in futures transactions. Therefore, the Zhengzhou Market took the opportunity to pursue theoretical study and make various preparations for the introduction of futures transactions. Based on observations and comparative studies of futures markets in some of the developed countries, it drafted China's first regulations for orderly futures transactions, which both conform to international practices, and also have special Chinese characteristics. Since trial operations in futures transactions began, 58 commodities brokers have appeared in more than 10 provinces and municipalities across China. They are well-organized, most of them are strong, and their systems of trading, reporting, and publishing, are all in place. The number of customers taking part in futures transactions is constantly growing, a large proportion of trades are made by agents, the volume of transactions is growing steadily, and the market's future looks bright. During the four months of trial operation that ended 12 October, a total of 395,000 standard contracts (at 10 tons per contract) worth 8.55 billion yuan were completed in 94 trading days. Since May 28, when futures trading was introduced, monthly averages for trading volume were 1,800, 2,500, 4,500, 6,800, and 11,000 contracts, and the highest one-day volume was 340 million yuan. By now, shipping manifests are already beginning to circulate in the market, and guaranteed value transactions make up a good part of the whole, so that futures prices and spot prices are linked. Trends in futures prices basically reflect the general pattern of movements in grain prices, and prices in the month when futures contracts expire are basically in agreement with spot prices. The bourse has already installed a five-channel satellite and computer price reporting system, and achieved worldwide, real-time information transfer. Perfected mechanisms, standardized operations, and effective risk management methods, all guarantee good order in the market. Every day, the ability of the futures market to transfer risk and forecast prices becomes more apparent. People in various circles, both in China and abroad, are paying great attention to the Zhengzhou market. In Chinese economic circles, it is considered "to be a bourse of the best quality, with the highest standards of business practice," and foreign experts in futures believe that it "meets international standards for business practice, and is fit to link up with the world futures market."

Because it deals with both spot goods and futures, the Zhengzhou Market has a fully developed market mechanism, that can both regulate supply and demand, and also spread market risk and forecast prices.

II. What we have learned from three years of experience

A. The fundamental guarantee of the success of the Zhengzhou Market experiment was the importance placed on it by the nation, and the support it received from all sides

From start to finish, the establishment and development of the Zhengzhou Market was supported and given priority by governments at all levels, and by all segments of society.

Party leaders and the government personally suggested doing research on opening a futures market in China, the State Council formally approved and transmitted the joint report by eight national government agencies on establishing the Zhengzhou Market, Premier Li Peng personally went to Henan to announce the State Council's decision to open the Zhengzhou Market on a trial basis, 11 national government agencies organized a coordination and leadership team to address problems of policy and approach that might arise in the course of establishing the market, and the former Ministry of Commerce, with the government of Henan Province, directed the work of setting up the market and tying the horizontal and vertical lines together, combining their forces, the better to create a large, unified market servicing all of China. All segments of society gave their strong support in public opinion and policy work. This was a major factor assuring the success of the Zhengzhou Market.

B. Careful planning and thorough preparation was an important prerequisite to the success of the Zhengzhou Market

The establishment of the Zhengzhou Market was a completely new problem, in the nature of a ground breaking experiment. China had no experience on which to rely. Under the leadership of the former Ministry of Commerce, and the government of Henan Province, we carried out more than two years of fruitful study, reflection, and preparation. We dispatched observers abroad, invited foreign experts to lecture, investigated and studied, drafted proposals, and discussed and debated again and again. On this foundation, we issued China's first regulations covering the orderly exchange of spot goods. It was exactly because we did a great deal of preparation work before the market opened, in such areas as theory, public opinion, policy, and personnel, that we could start up and grow rapidly thereafter.

C. The structuring of the market by economic regions was a crucial factor in the experiment's success

Henan Province is located in China's central plains. Henan has convenient transportation, abundant raw materials, and is China's grain production and distribution center. Service facilities and communication equipment are, relatively speaking, fully in place. It has all the prerequisites for establishing a large, nation-wide market in agricultural products. Therefore, China's choice of Zhengzhou as the site for its trial operation of a nation-wide grain market, was in keeping with the principle of organizing commodity distribution by economic regions, and was favorable to the creation of a trading and information center that would connect all of China.

D. The "two step" program that China adopted, was the only way the Zhengzhou Market could have achieved proper development

China adopted a "two step" program, beginning with trading in spot goods, and then proceeding step by step to futures trading. This was the only way that the Zhengzhou

Market could have developed properly. It was in keeping both with China's present and actual needs in the area of grain distribution, and also with the general pattern by which international markets mature. The development of a market in long-term spot goods has laid the foundation for a mature futures market, and a mature futures market will then, in turn, encourage and advance the further improvement and development of the market in spot goods. The present pattern, where a spot market and a futures market exist together, is a major factor assuring the proper development of the futures market.

E. Insistence on businesslike practice is a fundamental principle of good management in contemporary markets

Spot trades in the Zhengzhou Market are long-term spot transactions, that are introducing the futures trading system. The futures trading system that the Zhengzhou Market is introducing, is in keeping with international practices, and also has Chinese characteristics, in the true sense of that expression. To organize, supervise, and serve trading activities, in strict accordance with the trading regulations announced by the government, and to uphold the principle of open, fair, and equal competition, is a revolution in the realm of distribution, and is what modern commodity exchange demands. Because the Zhengzhou Market has upheld standards of businesslike practice, transactions are highly efficient, transaction costs are low, the performance of contracts is assured, and disputes in commerce are few. It has earned the universal trust of traders, and its influence is growing more and more. The life blood of the futures market is its insistence on businesslike practice. This is the fundamental principle, and the only means, by which the futures market can develop in a healthful, steady way.

F. The Zhengzhou Market is not for profit, and has a service philosophy; this is the basic difference between it and traditional markets

The Zhengzhou Market was established by the government, and is being run by the government. Its guiding principle is to provide service to traders. Its interest is in social efficiency, and it does not seek any economic advantage for itself. It puts its whole heart and mind into service to traders. This resolves fundamentally the conflict of economic interest between market and trader, and guarantees the fairness of market transactions. The market does not engage in business, and its employees do not participate in trading activity in the market. This embodies the market's spirit of seriousness about its work, and its integrity.

III. Some thoughts on improving the market

A. We should continue working to improve the dissemination of basic knowledge about contemporary markets, and especially futures markets. At present, people are not familiar with contemporary markets, do not know enough about their workings, and do not sufficiently understand their functions. We should educate the public about the market, spread the word about our success, and further

raise the consciousness of all levels of the leadership, and the masses of the people, about contemporary markets. This is one of the long-term tasks involved in building a market system.

B. We must have overall planning, and deploy our resources rationally, to overcome the tendency to impetuosity in market-building. When the wholesale market in spot goods was being built, there was a tendency to be impetuous. There has also been ill-considered development in the futures market. Therefore, China must establish, as soon as possible, an authoritative organization that will carry out unified leadership and overall planning, and work for the rational deployment of resources for a nationwide market. The wholesale spot market to be established should be organized by economic regions, avoiding conflicts between the horizontal and vertical lines, and duplication of effort, in the interest of forming a unified market system. The futures market is a highly developed form of the market, and can serve the purpose of macro adjustment and control in the Chinese economy. Because the futures market, although its function is to transfer and spread risk, is at the same time an especially risky form of trading, China still is not mature in experience with it. Therefore, we should exercise even more firm control over the number of markets, the types of transactions they handle, and their locations. China should concentrate its efforts on operating a few well-run bourses, with high standards and good practices, and after acquiring a certain amount of experience, we can then develop steadily.

C. We should establish a complete set of regulations for the markets as soon as possible. At present, China still has no body of laws and regulations covering wholesale and futures markets. The law is in abeyance, and everyone does as he thinks best. This is not in the interest of the market's proper development. It is urgent that China establish regulations for wholesale and futures markets, so that the markets will develop in accordance with the rule of law, and market building, market management, and the organization of trade will have a legal basis.

D. We must improve standard management of markets. Spot markets differ, according to their level, in the degree to which they are well ordered. Nation-wide markets should maintain high standards of business practice, but regional and emerging markets can be flexible and varied, in keeping with local conditions, so long as they maintain a mechanism for guaranteeing the performance of contracts. The most important thing is to solve trading problems within the market. The futures market must stress good business practice, or else there will be serious consequences that will endanger the survival and development of the market, and have an unfavorable impact on the stability of society.

Liaoning Reports Major Farm Product Prices

95CE0013H Shenyang LIAONING JINGJI RIBAO
in Chinese 17 Sep 94 p 2

[FBIS Translated Excerpt] In July, the market prices for piglets, hogs, and pork in Liaoning Province were 8.50

yuan, 5.45 yuan, and 9.30 yuan per kilogram respectively, increases of 46.1 percent, 24.4 percent, and 45.3 percent over the same period in 1993. The major reason for increased pork prices was increased feed prices. The market price for eggs was 5.10 yuan per kilogram, a 10.7 percent decrease, the market price for live chickens and white chicken meat were 6.91 yuan and 8.10 yuan, increases of 14.2 percent and 15.7 percent. The market prices of lamb and beef were 13.30 yuan and 14.80 yuan per kilogram, increases of 27.2 percent and 22.3 percent.

Shandong Farmer Income Increases in 1st Half of 94

95CE0013F Beijing ZHONGGUO XINXI BAO
in Chinese 5 Sep 94 p 3

[FBIS Translated Excerpt] In the first half of 1994, the per capita cash income of farmers in Shandong Province was 573.43 yuan (excluding income from savings and loans), a 34.0 percent increase, and living expenses were 324.69 yuan, a 27.4 percent increase over the same period in 1993.

Sichuan Increases Production of Livestock

OW1110080694 Beijing XINHUA in English 0710
GMT 11 Oct 94

[FBIS Transcribed Text] Chengdu, October 11 (XINHUA)—Sichuan, China's biggest pork-producer and important production base of domestic animals, is expected to have a good harvest in animal husbandry this year.

It is expected to produce 70 million head of pigs this year.

Between January and September this year, the province sold 43.642 million pigs, 6.67 percent up over the same period last year.

The number of cattle is expected to reach 586,000, 37.43 percent up over last year, that of sheep to 2.501 million, 35.62 percent increase, and those of poultry to 275 million, 16.53 percent up.

The good harvest has ensured meat supply to the market and helped stabilize prices nationwide.

This year, the provincial government has given more stress on animal production to help increase the per capita income of farmers.

The province built the first meat whole sale market in 1992 and a features market last year. The construction of feed whole sale markets are under way in the province and a meat products fair. This year, the provincial government has allocated 40 million yuan more in supporting pig raising.

It now has over 300 meat processing factories and 98 lean-meat pig production bases.

Export-oriented pork production bases have been set up in over 20 counties.

The province has also built over 1,500 feed plants and a nation-wide marketing information network to serve farmers.

Study To Improve Agricultural Production Capacity

94CE0659A Beijing GUANLI SHIJIE
[MANAGEMENT WORLD] in Chinese No 4, 24 Jul 94
pp 166-175

[Article by Research Topic Group for Study of the Total Production Capacity of Chinese Agriculture: "Study of the Total Production Capacity of Chinese Agriculture"]

[FBIS Translated Text] *Understanding of the total production capacity of agriculture has gradually deepened and emerged through practice as a concept in the development of agriculture. If the supply of agricultural products is to continue to satisfy the needs of China's rapidly developing national economy, it is necessary to begin with all inputs and their conversion efficiency to build the needed stable foundation for total agricultural production capacity. The research report of the Ministry of Agriculture Research Topic Group in the State Council Research Office that is published here considers methods for evaluating the concept of total agricultural production capacity, analyzes the present state of affairs, forecasts prospects, and makes a full exposition of corresponding macroeconomic policy. This holds great significance for future development of China's agriculture.*

Concept and Method of Evaluating the Total Production Capacity of Chinese Agriculture

The development of agriculture depends on policies first, science and technology second, and inputs third. All these measures for the development of agriculture converge on a single point: the need to increase the total production capacity of agriculture.

The total production capacity of agriculture consists of the total inputs of key factors by agricultural producers in a certain place, at a certain time, and under certain socio-economic and technical conditions. These can fairly steadily produce a total agricultural production capacity at a certain level. Only when such a foundation is in place for this kind of total agricultural production capacity can organization, strategies, regulation, and control of the production process produce a commensurate real (actual) productivity.

The factors comprising the above concept of total agricultural production capacity may be broken down as follows:

Factors Comprising Total Agricultural Production Capacity Key Elements (land, capital, labor, science and technology)—**Conversion Efficiency** (natural disasters)—**Output Elements** (gross output of agriculture)

Generally speaking, total agricultural production capacity is made up of the above input elements and output

elements. Conversion efficiency is the linch-pin that connects the input and output elements. Natural disasters directly affect conversion efficiency.

The total agricultural production capacity with which we are concerned is primarily the production of the farming, forestry, livestock, sideline occupations, and fishing industries in the narrow sense. Agricultural production in a broad sense also includes pre-production agricultural research and education, means of agricultural production supply capacity, and post-production agricultural product processing and commodity circulation capabilities, and the ability to add value. In view of China's circumstances, output elements as they apply to agricultural production capacity in the narrow sense, are expressed as the gross output value of agriculture. When judging the actual amount of output of China's total agricultural production capacity, the products included are grain, oil-bearing crops, cotton, fruits and vegetables, livestock products, and aquatic products. In China, outputs of grain and cotton hold crucial importance, and may be represented by the gross output of grain and cotton.

Seventeen items in five different categories serve as the basis for evaluating constituent factors (inputs) in the total production capacity of agriculture.

1. Amount of inputs of key agricultural production factors (30 percent weight). (3) Agricultural land area (usually represented by the area sown to farm crops); (2) size of agricultural work force; and (3) fixed capital available for agriculture.

2. Intensity of material inputs into agriculture (assigned a weight of 20 percent). (1) total farm machinery power per 10,000 mu; (2) amount of chemical fertilizer application per 10,000 mu; (3) amount of pesticides used per 10,000 mu; and (4) fodder consumption per 10,000 head of livestock.

3. Agricultural science and technology input level (assigned a weight of 20 percent). (1) number of scientific and technical achievements in agriculture; (2) Agricultural scientific and technical achievements promotion index; (3) number of agricultural science and technology personnel per 10,000 mu; and (4) Number of persons per 10,000 mu having a secondary education in agricultural technology.

4. Effectiveness of the use of key agricultural production factors (assigned a weight of 20 percent). (1) Yields per mu; (2) output value per unit of manpower; (3) net output value per 100 yuan of materials consumed.

5. Ability to maintain agricultural production despite natural disasters (assigned a weight of 10 percent). (1) Effective irrigation rate; (2) ability to cope with natural disasters; and (3) degree of improvement of ecological environment.

Most important in the study of the total production capacity of agriculture is the role and affect of these constituents on total agricultural production capacity. This offers an effective means for improving the quest for the

total production capacity of agriculture. Therefore, while employing various analyzing and estimating methods, we studied and proposed a comprehensive index method as a means of making a total evaluation. The basic procedure employed is to use the Delphi method to arrive at the basic key constituents and their weight in total agricultural production capacity. This entails standardized processing of different dimension indicator data using 1 for the base period, and it entails calculating all the indices of basic factors making up total agricultural productivity each year. Then the relationship among the indices and the time sequence of all basic factors must be determined for use in deriving the indices for each year and the output level that can be attained.

2. Analysis of China's Total Agricultural Output Capacity and Forecast of Future Prospects

(1) Present Status of China's Total Agricultural Production Capacity

1. Figured in terms of constant 1980 prices, the total output capacity of China's agriculture today is approximately 370 billion yuan.

This includes an output capacity of 220 billion yuan for farming, 78 billion yuan for animal husbandry, and 13 billion yuan for the fishing industry. Figured at constant 1990 prices, the total output capacity of China's agriculture today is approximately 770 billion yuan.

2. Currently, output capacity of China's farming industry is approximately 590 million tons of standard grain conversion units.

Farming is the most important integral part of China's agriculture, and grain is the most important output of the farming industry. Therefore, use of standard grain conversion units to express the total production capacity of the farming industry is appropriate. This entails using wheat—the country's most widely grown grain—as the standard grain, calculating the percentage outputs of other grain crops, cash crops, and other crops in terms of wheat in order to eliminate incomparability among them.

Grain production capacity accounts for approximately 420 million tons of the current 590 million tons of standard converted grain units. Cash crop production capacity is approximately 100 million tons; and output capacity of other crops is approximately 70,000 tons. Figured in terms of growing area, output capacity in the farming industry is approximately 405 kilograms of standard grain conversion units per mu of cultivated land. Figured in terms of planted area, output capacity per mu is approximately 260 kilograms. This includes somewhat more than 250 kilograms per mu of grain, 285 kilograms per mu of cash crops, and 330 kilograms per mu of other crops. Even though the output capacity per mu of the area sown to grain crops is relatively low, since mostly grain is grown and since output is greatest, it remains the most important integral part of the country's production capacity. It accounts for three-fourths of the farming industry's total output capacity. Cash crops and other crops account for one-fourth.

3. Output capacity of the country's livestock industry stands at approximately 42 million tons of standard meat conversion units. Meat output accounts for most of this at more than three-fourths; eggs, dairy products, and wool accounts for approximately one-fourth.

4. Total output of the country's fishing industry presently stands at approximately 11.5 million standard fish conversion units.

If all aquatic products are converted to fish output terms at a certain percentage, the output capacity of China's fishing

industry becomes approximately 11.5 million fish conversion units, 87.3 percent of which is fish, and 12.7 percent of which is other aquatic products.

(2) Analysis of the Overall Level of China's Total Agricultural Production Capacity

In this section, we analyze changes in the development of the overall level of the country's total agricultural production capacity in terms of output and investment. (See Table 1).

Table 1. Changes in Development of China's Total Agricultural Production Capacity Between 1980 and 1990

Year	Growth Index for Material Inputs Into Agriculture					Total Agricultural Production Capacity Average Growth Index T				
	T1	T2	T3	T4	T5		Y1	Y2	Y3	Y4
1980	1.00	1.00	1.00	1.00	1.00	1.00	1.001.00	1.00	1.00	
1981	1.01	1.04	1.06	1.03	1.03	1.03	1.061.05	1.01	1.05	
1982	1.04	1.16	1.14	1.05	1.01	1.08	1.181.16	1.10	1.10	
1983	1.06	1.26	1.22	1.08	1.04	1.14	1.271.26	1.20	1.24	
1984	1.10	1.36	1.33	1.13	1.03	1.20	1.431.38	1.27	1.41	
1985	1.13	1.37	1.46	1.19	0.90	1.24	1.481.36	1.18	1.65	
1986	1.14	1.50	1.44	1.36	1.00	1.30	1.531.37	1.22	1.74	
1987	1.17	1.60	1.65	1.41	1.03	1.39	1.621.44	1.26	1.80	
1988	1.19	1.69	1.86	1.46	1.04	1.46	1.681.44	1.24	2.02	
1989	1.22	1.80	2.00	1.48	0.93	1.52	1.731.47	1.29	2.14	
1990	1.25	1.91	2.28	1.57	1.08	1.64	1.861.59	1.40	2.29	

Note: 1) Indices for the T1 through T5 inputs are for the five indicators noted earlier, namely amount of input, intensity of input, effectiveness of use, scientific and technical progress, and ability to maintain production despite natural disasters. (2) Y1 means gross output value of agriculture; Y2 means output value of agriculture; Y3 means gross output of grain; and Y4 means output value of animal husbandry

We applied the causal method to the study of the five major input factors making up total agricultural production capacity, and to the quantitative relationship (calculation process omitted

among the output indicators of gross output value of agriculture, output value of the breeding industry, and grain output to arrive at the following conclusions:

1. The total agricultural output index growth is most sensitive to the amount of key agricultural inputs. Their role in the gross output value of agriculture is far greater than that of other input elements. They also play a marked role in growth of both farming and animal husbandry, and grain output value.

2. Inputs of agricultural science and technology are second only to inputs of key agricultural factors in the growth of agriculture. Analytical results show that for each percentage point increase in input of agricultural science and technology, the gross output value of agriculture increases 1.18 percentage points, the output value of the farming

industry increases 0.79 percentage points, and grain output increases 0.56 percentage points. This intensity is second only to the amount of inputs of key agricultural factors, thereby demonstrating the scientific thesis that "science and technology are the first source of productivity." The effect on animal husbandry and the fishing industry of scientific and technical inputs is more marked than on farming, showing that inputs of agricultural science and technology in the fishing industry and animal husbandry are more urgently needed. This has a bearing on prices of agricultural products and the character of industry.

The intensity of agricultural material inputs and the service performance of key agricultural factors also play a marked role in the total output of agriculture. Causal analysis shows that for every 1 percentage point increase in the intensity of material inputs in agriculture, the gross output value of agriculture increases 0.84 percentage points, output value of farming increases 0.56 percentage points, and grain output increases 0.41 points. This scale

of growth is slightly less than that resulting from inputs of key agricultural factors and progress in agricultural science and technology. Likewise, rise in the total production capacity of animal husbandry and the fishing industry depends more on the intensity of material inputs than does the farming industry.

4. The role of service performance in the use of key agricultural factors is less than that of material inputs into agriculture. For each percentage point rise in this service performance, the gross output value of agriculture increases 0.57 percentage points. Actually, rise in the service performance of key agricultural factors also means rise in the level of agricultural science and technology. This is because only through the scientific and rational use of all inputs into agriculture can service performance increase. High service performance means a high level of production technology and a high total output capacity of agriculture.

5. Ability to maintain production despite natural disasters is a weak link in the total production capacity of agriculture in China. Causal analysis shows no marked correlation during the 1980s between the country's ability to maintain agricultural production despite natural disasters and changes in the total productivity of agriculture. During the 1980s, there was no marked material increase in the country's ability to maintain production despite natural disasters, and ability to maintain agricultural production despite natural disasters in the 1990s was only 8.7 percent better than in the 1980s. This included 1989 when this ability was even lower than in 1980. The major losses resulting from floods in the Chang Jiang basin and the Huai basin during 1991 further show that the country's ability to maintain agricultural production despite natural disasters is fairly low. Increasing ability to maintain agricultural production despite natural disasters is the direction in which efforts should be made to increase the total production capacity of agriculture in China.

(3) Forecast of Total Agricultural Production Capacity for 1995 and 2000

Table 2. Forecast of Total Agricultural Production Capacity for 1995 and 2000

Particulars	1995			2000		
	National Plan Goal	Production Capacity	Percent Difference	National Plan Goal	Production Capacity	Percent Difference
Gross Output value of agriculture (100 million yuan)*	4362(9680)	4493(9970)	3.0	5182(11498)	5321(11817)	2.7
Grain (10,000 tons)	45500	47486	4.4	50000	52116	4.2
Livestock products (converted to 10,000 tons of meat)	4985	5116	2.6	6080	6745	10.9
Meat	3700	3797	2.6	4200	4659	10.9
Eggs	1200	1231	2.6	1800	1997	10.9
Dairy Products	700	718	2.6	1000	1109	10.9
Wool	30	31	3.3	38	42	10.5
Aquatic Products (10,000 tons)	1650	1680	1.8	1800	2140	18.9
Ocean Catches		710		570	780	36.8
Sea Water Aquaculture		280		300	420	40.0
Fresh Water Catches		95		90	100	11.1
Fresh Water Aquaculture		595		840	840	0

*1980 gross output value of agriculture is expressed in terms of constant 1980 prices. Figures in parentheses are constant 1990 prices

Attainment of the above development of the total output capacity of agriculture requires corresponding material

and capital inputs, and greater macroeconomic regulation and control of the total output capacity of agriculture.

3. Macroeconomic Policy To Increase the Total Production Capacity of Agriculture

The 1990s are a period of rapid growth of China's economy and gradual formation of a socialist market economy system. This macroeconomic background provides both fine opportunities and poses high demands for improvement of the country's total agricultural production capacity. It also occasions a series of new difficulties. Rapid development of the national economy will make improvement of the total production capacity of agriculture more urgent, and the building of a market economy system means that the development of agriculture faces an entirely new external environment. Once China's GATT status has been restored, agriculture will face even more grim challenges from world markets. Faced with these circumstances, government must increase overall protection of agriculture. It must use a series of macroeconomic regulation and control measures to ensure increased investment in agriculture to obtain a rise in the total production capacity of agriculture.

The main way to exercise macroeconomic regulation and control of the total production capacity of agriculture is to apply a combination of market and plan techniques to regulate and control the level, speed, regional pattern, macroeconomic environment, and the kinds of inputs for development of the total production capacity of agriculture. This means that the long-term trend in the development of China's agriculture will be macroeconomic regulation and control of the total production capacity of agriculture. This will be done mostly through policies that regulate and improve inputs of money, materials, and science and technology into agriculture for the building of a rather complete agricultural input mechanism. It will also consist of the promotion of a regional strategy for the development of agriculture to promote steady rise in the total production capacity of the country's agriculture.

(1) Increased Government Investment of Money in Agriculture, Priority Going to the Solution of Glaring Problems Like the Serious Shortage of Investment in Fixed Assets for Agriculture and in the Development of Resources

China has limited land resources, so a rise in the total production capacity of agriculture depends mostly on improving the intensity of agriculture. It also depends on steady increase in the amount of money invested in agriculture, and increased returns from the money invested in agriculture.

One NPC meeting after another has stressed "the priority of agriculture in all economic work." As the most important basic industry in the national economy, agriculture should rank along with other basic industries such as energy, transportation, and raw and processed materials as the focus of investment of governments at all levels. It should also rank first among basic industries, i.e., the needs of agriculture should be satisfied first, planning of investment in other projects coming later.

In order to ensure steady rise in the total production capacity of agriculture, investment of money in agriculture

must focus on the agriculture infrastructure and the development of agricultural resources. Despite the tremendous increase in financial investment in agriculture during the 1980s, overall the investment in working capital increased rapidly while investment in fixed capital increased slowly by comparison. Specifically, investment in infrastructure for some large and medium size agricultural projects did not satisfy requirements for the development of agriculture. This meant that while investment in agricultural working capital increased, the ability of agriculture to withstand natural disasters declined, and overall returns from investment in agriculture were not high. This meant very great waste. Investment of money in agriculture during the 1990s, particularly government investment in agriculture, must shift toward the building of agricultural infrastructure and the development of agricultural resources to make the investment of money more rational as time goes by.

Infrastructure for agriculture: An investment of 4.573 billion yuan will be required during the 1990s, the government investing 1.804 billion yuan, i.e., 39.4 percent. This is to be used mostly to build more infrastructure for farming, animal husbandry, and the fishing industry. (1) An investment of 1.672 billion yuan is required for the farming industry, 724 million of it coming from the government for use in building infrastructure that includes a superior seed propagation system, a system for spreading agricultural technology, a disease and insect pest infestation monitoring and reporting network, and a soil fertility and agricultural pesticide monitoring system. (2) An investment of 1.388 billion yuan in animal husbandry is needed, 651 million yuan of it coming from the government for use in building infrastructure that includes a superior breeds propagation system, and a system for spreading livestock and poultry technology. (3) For the fishing industry, an investment of 1.513 billion yuan is needed, 740 million yuan of it coming from the government for use in building infrastructure that includes a superior aquatic products breeds system, a network for spreading aquatic products technology, and large numbers of fishing ports.

Agricultural resources development: An investment of between 167.2 billion and 182.8 billion yuan will be required for this purpose during the 1990s, between 42.5 billion and 47.5 billion yuan of it coming from the government, i.e., 25.4 to 26 percent. This money is to be used mostly for the reclamation of barren land suitable for agriculture, the transformation of intermediate and low yield fields, the development of winter season agriculture, the opening up of coastal flats, and the exploitation of grassland resources. This includes: (1) the reclamation of between 24 million and 50 million mu of wasteland suitable for agriculture for which an investment of between 14.4 and 30 billion yuan will be needed, the state providing between 5 and 10 billion yuan of it. (2) An investment of 100 billion yuan will be required for the transformation of 500 million of medium and low yield fields, 30 billion yuan of it from the government. (3) For the development of 10.1 million mu of coastal flats, an investment of 13.8 billion yuan will be required, 3.5 billion yuan of it from the government. (4) The improvement of 540 million mu of grasslands in pastoral regions will require an investment of 32.4 billion yuan, the government providing 3 billion yuan of it. Putting 110 million mu of grassy mountains and

grassy slopes into production will require an investment of 6.6 billion yuan, the government investing 1 billion yuan.

Not only is infrastructure building and resources development necessary for agriculture, but it can be done. The adoption of effective measures and the use of many channels to raise money, particularly ensuring that the portion that the government is to invest will be provided promptly and in sufficient amount, will play a key role in realizing all investment objectives. Investment in the building of agricultural infrastructure is essential to ensure steady development of agriculture and to improve ability to withstand natural disasters; thus the State Planning Commission should include this in its Eighth 5-Year and Ninth 5-Year capital construction investment plans, and give priority to planning for carrying it out. The investment of money in the development of agricultural resources is fundamental to broad and pervasive progress in agriculture. It is suggested that public finance departments include it in their fiscal budgets as part of agricultural funding plans. This money should continue to be made available for a fee and revolve. It should not be included in government capital construction master plans. Money that the government uses directly for the building of water conservancy and forestry should be commensurately increased. In addition, a number of publicly funded projects for agriculture should be added as the development of agriculture warrants. Such projects include funds earmarked for the building of agricultural service systems, and for high yield, premium quality, high return agriculture. Government plans for investment in agriculture still lag far behind real needs. Plans should be revamped, and the amount increased to insure needs for steady increase in the total production capacity of agriculture. Funds needed above and beyond the amounts that government invests may be provided through bank loans, rural collective economy organizations, state-owned enterprises, and peasant households.

(2) Accelerate Development of Agro-Industries to Meet Needs For Increase in Substantive Investment in Agriculture

Improvement of the total production capacity of agriculture requires great attention to the production and supply of the means of agricultural production. Without a supply of the means of agricultural production in sufficient quantity and of reliable quality, the increased investment in agriculture will not likely translate smoothly into effective material strength. The country's agricultural development goals, and the need to increase total agricultural production capacity suggest that, by the end of the present century, China's investment in agricultural chemical fertilizer will increase at least 3.8 percent annually; agricultural drainage and irrigation machinery and farm machinery will increase 4.2 percent annually; demand for plastic sheeting will increase 5 percent; and demand for livestock fodder will increase 5.5 percent. Plans must be drawn up and put into practice to meet these needs.

Material Inputs into the Farming Industry: (1) Demand for chemical fertilizer (figured in terms of active ingredients)

will reach 31 million tons in 1995. By 2000, 37 million tons will be needed. This means a more than 11 million ton increase over a 10 year period, or a 42.2 percent increase over 1990 (25.9 million tons). (2) The irrigated area will have to increase to 728 million mu by 1995, and to 762 million mu by 2000. The total increase over a 10 year period is 510,000 mu, up 7.2 percent from 1992. (3) The area sown to fine variety crops must reach 1.59 billion mu by 1995 and 1.84 billion mu by 2000. This is a 430 million mu, or 30.5 percent increase over 1990. (4) By 1995, 88.5 million draft animals will be needed, and 100 million will be required by 2000 for a 31.1 percent increase. (5) Total farm machinery power requirements will reach 237.95 kw by 1995 and 284.58 million kw by 100 in a 10 year 48.7 percent increase. (6) Demand for agricultural plastic will reach 383,500 tons by 1995 and 455,900 tons by 2000 in a 58.5 percent increase over a 10 year period. (7) Agricultural pesticide demand will reach between 670,000 and 700,000 tons by 1995, and it will remain at the same figure in 2000. Even while increasing the amount of materials inputs in agriculture, both the quality and make-up of the materials must be improved. Production and supply of phosphate and potash fertilizer must be increased, the ratio of nitrate, phosphate, and potash fertilizer reaching 1:0.5:0.2 respectively in 1995, and 1:0.5:0.25 in 2000. Every effort must be made to produce and supply fertilizer of high effectiveness and low residual toxicity that can be used safely. Active efforts must be made to develop biological pesticides and biological prevention and control.

Material Inputs in Animal Husbandry: Livestock feed concentrates contribute 60.1 percent, livestock and poultry breeds contribute 20 percent, and breeding and epidemic prevention contribute 13 percent to the increase in total livestock production capacity. In 1995 and 2000 the number of livestock being raised has to increase from the present equivalent of 665 million hogs to the equivalent of 783 million and 910 million hogs. Demand for concentrated livestock feed will increase to a respective 200 million and 256 million tons. During the Eighth 5-Year Plan, material inputs of livestock feed, breeding livestock and breeding poultry, livestock and poultry epidemic prevention, production equipment and fuel, and electric power will cost 124 billion yuan. During the Ninth 5-Year plan, the cost of material inputs for animal husbandry will reach 169 billion yuan.

Material Inputs in the Fishing Industry: Attainment of 1995 and 2000 goals will require a respective 4.55 million and 8.26 million tons of concentrated feed, 1.3 million and 1.8 million tons of fingerlings, 3.55 and 4.68 million tons of diesel fuel, and 1.22 million and 2.33 million tons of cold storage capacity.

Ensuring sustained, steady rise in the production capacity of China's agriculture during the 1990s and on into the first part of the next century requires earliest possible planning of a number of major agro-industry projects. Particularly needed is major chemical fertilizer, farm machinery, agricultural pesticide, agricultural plastic, and

livestock feed production enterprises at the post-1980s world advanced level. Also needed is rapid technological transformation of existing agro-industrial enterprises, use of new technical equipment, development of new lines of products, and improvement of both product quality and economic returns. The government must ensure supplies of money, energy, communication and transportation, and raw and processed materials for enterprises that produce means of agricultural production in short supply. Government must also provide support in the form of scientific research money and tax relief for research and production of new types of agricultural means of production.

(3) Increase in Scientific and Technical Inputs into Agriculture to Speed Up Scientific and Technical Progress in Agriculture

Agricultural science and technology endeavors produce great public benefit. Since agricultural production is dispersed over a wide area and produces relatively low economic returns, in every country of the world—including those in which a market economy is well developed—agricultural research and education, and the spread of agricultural techniques receive support mostly from the government. It is wrong to suppose that the development of agricultural science and technology in a market economy relies for its development mostly on the agricultural science and technology sector itself. Policies based on this mistaken notion inevitably cause serious damage to the development of China's agricultural science and technology endeavors.

In order to ensure that advances in science and technology, which accounted for 30 percent of the increase in the total output of agriculture in China between 1986 and 1990, will increase 1 percentage point each year to contribute 40 percent or more by 2000, and to set the development of agriculture on a path in which scientific and technical progress is paramount as quickly as possible, an increase in government's scientific and technical investment in agriculture will be absolutely necessary. Government expenditures for agricultural research and development, and for the spread of technology can only increase; they may not decrease. An effort must be made to make China's expenditures for this purpose by the year 2000 reach that of developed nations during the 1980s, i.e., to be 1 percent or more of the gross output value of agriculture. Scientific and technical investment in agriculture should also increase slightly faster than the increase in agricultural output value.

Estimates on this subject suggest that agricultural science and technology will play a major role during the 1990s in moving to a new level the total production capacity of China's agriculture. This includes a 28 percent role played by new varieties and breeds in agriculture and fine propagation techniques, an 11 percent role played by plant growing techniques and animal epidemic prevention techniques, a 9 percent role played by new technology for soil testing and prescribing chemical fertilizer, an 8 percent role played by new irrigation techniques, a 7 percent role

from biotechnology, and a 10 percent role from post-production storage and transportation technology. Therefore, in the process of advancing agricultural science and technology, special emphasis must be placed on technology for the development of new agricultural breeds and varieties, and the propagation of fine breeds and varieties, technology for the post-production processing of agricultural products, and technology for intensive cultivation and livestock raising. Post-production processing, preservation, storage, packaging, and transportation technology was greatly neglected in the past, but with steady development of the market economy, technical requirements in these regards are becoming greater and greater. We must give full attention to them and genuinely improve them.

Work in agricultural science and technology also has to get over the past overemphasis on major farm products such as grain, cotton and oil-bearing crops. It has to orient toward domestic and foreign markets and meet the need for readjustment of the make-up of agriculture. It must emphasize the development of science and technology for agricultural production projects that have great market potential and produce good economic returns. Not only must major efforts be put into the scientific and technical development of major farm products such as grain, cotton, and oil-bearing crops, but also into the development of livestock, the breeding of aquatic products, fruits, vegetables, silkworm cocoons, and tea, and into all sort of foreign exchange-earning exports as well. Emphasis in the development of agricultural science and technology in China today is on: Gigantic increase in agricultural productivity, improvement of product quality, and increase in economic returns. A strategic transformation of agricultural science and technology work is needed today. The former overemphasis on increasing farm product output must give way to research on technology to develop premium quality, high yields, and high returns, i.e., constantly improving product quality and improving returns while maintaining steady increases in output. Special emphasis must be placed on spreading technology that yields premium quality and increased returns, such as high yield, premium quality varieties and breeds, prescriptions for fertilizer application, exact amount sowing of seeds, and blended livestock feeds, etc. Key scientific research projects for the promotion of high yield, premium quality, high returns agriculture of major importance must be tackled, the government providing major support in the form of research funds and scientific and technical skills for an effort to replace major grain and cash crop varieties once by 2000, to attain a 30 percent popularization rate for premium livestock, poultry, and fish breeds, and to advance the level of production technology.

Propelling the faster development of agricultural science and technology work also requires improvement of the agricultural science and technology system, units responsible for the administration and management of agricultural science and technology changing their functions. A beginning must be made in building a science and technology administrative system that is in keeping with the socialist market economy, and the development of science

and technology. One extremely important reform goal in the intensification of reform is speeding up the commercialization of scientific and technical research achievements. This will enable the translation into agriculture production capacity of more scientific achievements through technology exchanges and the provision of technical services for money. It will also provide scientific research and technology promotion units with a certain amount of income to make up for the shortage of government disbursements. However, in view of the character of agricultural science and technology work, and the character of the country's agricultural production, the spread of scientific research, education, and technology cannot be self-sustaining, and self-developing. Some jurisdictions have improperly "weaned" county and township agricultural technology promotion organizations. They have either halted or reduced payments out of public funds, requiring county and township agricultural technology promotion units to pay their own way or even pay a profit to higher authority within a certain period of time. Such rash and mistaken ways of doing things will have serious consequences. The agricultural technology promotion network, which has been built with such great difficulty during the past several decades, is facing the danger of a premature end. Governments at all levels should take effective actions to halt this at once. In particular, government allocations of disbursements that derive from earlier use of money to spread agricultural technology must be maintained for a long time, and every effort made to increase them in order to maintain continuity in the agricultural science and technology promotion corps. In addition, the provision of services for payment on the principle of breaking even and making a slight profit should be permitted as a means of improving working conditions and benefits. This should be endorsed as a basic policy for scientific and technical progress in agriculture, and remain without change for a long time.

(4) Persevere in Proceeding From Local Realities, Salted General Methods to Local Conditions for Improvement of the Total Production Capacity of Agriculture in Different Areas

The situation in China during the 1980s shows that the total production capacity of agriculture in north China and western regions increased more rapidly than in south China. Inputs of various materials also increased faster. The level of agricultural production and the level of inputs in all regions today also show south China to be far ahead of north and western China. If we are to increase the total production capacity of agriculture in China during the 1990s—particularly the production capacity of staple agriculture products such as grain, cotton, and oil-bearing crops—we will have to pay especially close attention to north China, western China, and some provinces in south China in which the development of agriculture and the economy is relatively low.

In northern and western parts of the country, the main emphasis must be on agricultural research and the spread of technology, on creation of a favorable external environment, and on increasing material inputs into agriculture.

In the inputting of materials, special attention must be paid to increasing inputs of chemical fertilizer and irrigation, and much energy must be expended on improvement of the agricultural infrastructure so that agricultural resources may be developed and used rationally. Once the production of agricultural products has been developed, close attention must be given and more done to improve the development of township and town enterprises. In particular, support must be given to enterprises that process agricultural products so that more than just primary products can be provided in the future. Farm products should go through many levels of processing to increase their value insofar as market demand and local processing facilities permit. This will gradually improve economic returns and gradually create special industrial industries in local areas. This will closely link the development of agricultural production with the opening of peasant employment opportunities and increase in peasant income. Rapid development of township and town enterprises, including industries for the processing of agricultural products, will gradually increase rural villages own ability to use industry to augment agriculture and build agriculture to give real impetus to improvement of the total production capacity of agriculture. Therefore, northern and western parts of the country, in particular, as well as some southern provinces in the west central parts of the country should not only become key areas for government inputs into agriculture, but should also become key areas for government inputs into township and town enterprises. New government investment of funds in agriculture should be used primarily in the main areas producing staple agricultural products including grain, cotton and oil-bearing crops, i.e., the central region, the emphasis being on supporting these areas in the development of high yield, premium quality, high return agriculture. In addition, the amount of government investment to support township and town enterprises in the west central regions is still relatively small. It does not satisfy normal requirements for accelerating development of township and town enterprises in the west central regions. More investment should be made there.

Increasing the total production capacity of agriculture in south China requires further increasing the intensiveness of agriculture, increasing inputs into farm machinery, chemical fertilizer, drainage, and irrigation to make fullest use of the advantages in natural resources for agriculture of the southern region and readjust the structure of agricultural production there. As our country's socialist market economy develops steadily, opportunities for readjusting the structure of agriculture will become greater and greater. If southern areas of the country use their already rather high level of development of agriculture, their quite well-developed science and technology, and their strongly suitable natural resources for vigorous development of high yield, premium quality, high returns agriculture, the total production capacity of agriculture can be greatly increased. This is particularly true for southeast coastal areas, as well as for coastal economically developed regions that some northern provinces have created. Possibly future

increase in the total production capacity of agriculture will not be in the production of traditional agricultural staples like grain and cotton, but in high added value agriculture, and foreign exchange-earning agriculture. In the pattern of economic development, economically developed coastal areas may use to the full their advantages in transforming resources for both the domestic and foreign markets, and their readily available means of transportation and communication, as well as their higher level of processing to make development of an externally oriented, foreign exchange-earning agriculture their emphasis as a matter of good economic sense. They can vigorously develop well known, special, premium, and new products, and produce processed goods, thereby steadily increasing the competitiveness and foreign exchange-earning ability of Chinese products in international markets. At the same time, they can increase somewhat imports of staple agricultural products such as grain to make up for shortfalls in domestic production, thereby achieving a transformation of resources that has optimum economic benefit as its goal. Government inputs of money, materials, and science and technology into agriculture in economically developed coastal areas must go particularly to the production of high added value agricultural products and foreign exchange-earning agriculture in order to meet this region's relatively high consumption requirements and requirements for the development of an externally oriented economy.

(5) Founding of a Relatively Complete Agricultural Input Mechanism to Create a Fine External Climate for Improving the Total production Capacity of Agriculture

In the final analysis, raising the total production capacity of agriculture means increasing inputs of the various key elements of agricultural production. However, a fine external climate must exist in order for inputs of the various key elements really to get into the agricultural realm. A broad look at the history of the development of agriculture in China shows that whenever the external climate for agriculture has been better, increase in the total production capacity of agriculture has been faster. Conversely, when the external climate for the development of agriculture has been less beneficial, peasant interest in making inputs into agriculture has declined, thereby impairing the development of the total production capacity of agriculture. Of all the inputs into agriculture in China, it is the peasants' inputs that are the greatest by far. It is the amount of peasant inputs into agriculture that have the greatest effect on the total production capacity of agriculture. With the steady development and perfection of the country's socialist market economy system, in particular, when administrative decrees may no longer be used to interfere in the economic activities of the peasants, the development of markets will permit the peasants greater room for maneuver. The input area will become broader. Therefore, steady rise in the total production capacity of agriculture requires creation of a fine external climate, first of all.

Further decontrol of agricultural products markets and active encouragement of the market system is the main

requirement for spurring inputs of money, materials, and science and technology in agriculture. The government must set up in a planned way a number of central government level agricultural products wholesale markets that are situated on the basis of the direction in which production and sale of different agricultural products flows. In general, they should be set up in producing areas in which the supply of similar kinds of agricultural products are of decisive importance. At the same time, local governments should be guided in the corresponding establishment in a rational pattern of a number of regional agricultural products wholesale markets that work together with the central government level wholesale markets to form a network. These wholesale markets must be managed in a standardized way. Trading regulations and administrative organizations must be set up and perfected; illegal wholesaling outside the wholesale market must be forbidden; the transparency of agricultural products trading must be increased, and a market information network must be set up and perfected for timely reporting and transmittal of trading information. This will have a general affect on wholesale markets (including country fair markets) in cities and the countryside everywhere, thereby creating the basic conditions necessary for macroeconomic regulation and control. Governments at all levels must adopt effective measures to encourage development of all kinds of farm product flow organizations and circulation systems. They must particularly encourage peasants to enter the farm products circulation realm, and develop organizations that integrate trade with industry and farming, and farming with industry and trade. In order to create and maintain a fine market economy climate, resolute crack-downs on illegal activities in the commodity circulation realm must continue, all kinds of arbitrarily set up barriers removed, and monopoly dealings opposed to protect the peasant's interests.

In order to arouse and maintain peasant interest in production, and steadily increase inputs into agriculture once agricultural products markets have been decontrolled, in addition to relying on the regulatory role of markets, a ceiling and floor price system for farm products must be further perfected. The main products for which a ceiling and floor price is required are staples such as grain, cotton, and oil-bearing crops, and industrial raw materials such as sugar, silkworm cocoons, rubber, and wool. Ceiling and floor prices must be drawn up to allow for a small profit beyond the break-even point so that peasants will be able to make a moderate profit after recovering their costs. The farm products ceiling and floor price must be linked organically to the national special reserve system, and operate through wholesale markets. When market prices are too high, the government can sell products at low prices in wholesale markets. When prices are too low, the government can buy products at higher prices for wholesale markets. The former fiscal subsidies given to those who moved farm products and to consumers need not be diverted to other uses, nor used to balance the fiscal budget. Instead, they may all be converted into a farm

products price risk regulation fund for use in setting up a farm products price protection system.

Of all the inputs of key elements into agriculture, it is the cultivated land area and the area sown to staple farm crops such as grain and cotton that are of crucial importance. Without a proper size cultivated land area and a commensurate planted area for the production of staple farm crops such as grain and cotton, steady increase in the country's total agricultural production capacity would be impossible. Therefore, maintenance of sufficient cultivated land area, and an area sown to grain and cotton must be the main consideration in increasing the total production capacity of agriculture. Since China has a large country in which the amount of cultivated land per capita is relatively small, the cultivated land area must be maintained at 1.45 billion mu or more, and the area sown to grain and cotton must be maintained at a respective 1.65 billion and 85 million mu or more. Every jurisdiction must regard their consistently high yield fields as basic farmland in perpetuity that is so designated and protected by legislation. No government department or unit, and no individual may unauthorizedly alter the purpose for which this land is used, i.e., if its use must be altered, the alteration of every plot must be individually examined and approved by a legislative organ. A cultivated land takeover fees must be rigorously collected, and a land value added fee at a certain percentage collected. The unit concern must also be directed to reclaim a farm land area larger than the amount of cultivated land taken over.

A combination of technology and materials inputs is the basic way to protect inputs of science and technology, and inputs of the means of production in agriculture. Even though some changes have begun in inputs of science and technology and means of production inputs into agriculture, many problems remain, notably the lack of institutional guarantees. Therefore, intensification of system reform, and advances in the supply of agricultural means of production in combination with services to promote agricultural technology remain a major problem to be faced in raising the total production capacity of agriculture. Results from comparative study of the Chinese and foreign systems show the integration of production, supply, and marketing to be a fine way to organize. In China, this same road must be taken as rapidly as possible for inputs of technology and materials. The basic idea is to make supply and marketing cooperatives, which are responsible for supplying the means of production, independent of the Chinese Ministry of Trade system. They would be put under control of the agricultural sector, and linked to service agencies under the Ministry of Agriculture that spread technology (while retaining their former funding channels), thereby shaping a combined force for the promotion of material and technology inputs, and services for the development of agriculture. They would also serve as intermediary organizations for government liaison and organizing the peasants.

Founding of a agricultural capital accumulation input mechanism that is guided by legal means and economic

returns to form an organic benign cycle between inputs and production, production and accumulations, and accumulations and investment is an indispensable and basic requirement for increasing investment of money in agriculture. This requires earliest possible enactment of an "Agriculture Investment Law," to standardize the investment behavior of agricultural investment entities such as government and collective economy organizations, state-owned enterprises, and individual peasants. It also requires establishment of a clear-cut property rights system and a fair benefits distribution system to enable investors to make a profit. Interest in increasing investment in agriculture must be mustered throughout society, and forces in every walk of life mobilized. Encouragement must be given, in particular, to agricultural products processing enterprises, agricultural products transportation, marketing and trade enterprises to invest in agriculture. The integration of trade with industry and agriculture, and agriculture with industry and trade should be used to promote increased investment in agriculture. More flexible policies should be adopted to cover ways in which funds are raised for agricultural construction projects. More ways of raising funds should be permitted, including attracting foreign capital for the development of agriculture. For some large and medium size agricultural construction projects, joint ventures and raising of funds through stock shares might be used. Alternatively, bonds might be issued. Currently funds in rural cooperative foundations total 18 billion yuan. More should be done in the future to enhance and expand the fund-raising capabilities of rural cooperative foundations, greater use made of the role of rural credit foundations in increasing the total production capacity of agriculture.

The founding of rural banks for policy reasons is an effective way of ensuring open channels for national investment in agriculture. Since returns from agriculture are relatively low, even though the government has repeatedly emphasized investment in agriculture, results have been far from satisfactory. The institutional reason for this situation is that the role of the specialized banks concerned is not clear. They function both as commercial banks and as policy banks. Forced to show a profit, agricultural credit intended for policy purposes is frequently diverted to other uses. This credit flows, in varying degrees, into non-agricultural industries from which economic returns are higher, particularly into business from which returns are especially high such as real estate. China has begun to separate commercial financial business from policy financial business. The founding of independent rural banks having a policy purpose, reorganizing the former specialized banks as commercial banks can effectively change this situation. The various government policy loans for agricultural and rural villages, including agricultural products procurement fund loans, agricultural resources development loans, development loans to help the needy, agricultural products special-purpose reserve loans, loans for township and town enterprises in the west central region of the country, township and town enterprise technological transformation loans, agricultural capital construction

loans, and World Bank agricultural loans are all under administration of rural policy banks. They are earmarked for specific purposes to ensure that they are promptly applied in full. The various funds that the national treasury uses for agriculture and rural villages should also be carried in rural policy bank accounts. This would permit not only a concentration of funds, but it would also help supervision and checking. Only in this way can the various funds that the government uses to increase the total production capacity of agriculture be applied smoothly and promptly.

Founding of an Agricultural Finance Company. An agricultural finance company can be a mechanism for accumulating money for investment in agriculture, and it can use various means to raise capital, including the sale of stock shares, issuance of bonds, and bringing in foreign capital to raise more money for agriculture. Founding of such a company is in keeping with the market economy system's need for entrepreneurial intermediary organizations. It can even out funds surpluses and shortages, and guide the direction in which money flows through the business it conducts, the services it provides, and through regulation and control. It can also use business, services, and regulation and control to spur increased investment of money in agriculture by all quarters, thereby generating a diffusing role and having an exemplary effect on the development of production in agriculture throughout the country. The government might also use such a company to carry out an agricultural product price protection policy, thereby increasing the agricultural sector's macroeconomic regulation and control of agricultural production.

Arable Land Problems and Countermeasures

94CE0790C Beijing NONGMIN RIBAO in Chinese
19 Aug 94 p 2

[Article by Wang Deshui (3076 1795 3057), assistant research fellow, Soil and Fertilizer Institute, Chinese Academy of Agricultural Science: "On the Challenge Faced by China in its Arable Land and on Countermeasures Being Taken"]

[FBIS Translated Text] China's territory is 9.6 million square kilometers (14.4 billion mu), and China is the third largest country in the world. However, much of its land is mountainous and little is flat ground; the proportion of arable land is only 10.4 percent, or an average of 1.3 mu per capita, which is only one-quarter of the world's average per capita of arable land, and which places China into 113th place in the world in this respect.

It has been calculated that the land resource suitable for agriculture, forestry, and animal husbandry is 574 million mu, of which 283 million mu are suitable for forestry, 216 million mu for animal husbandry, leaving only 74.57 million mu for agricultural cultivation, of which, again, much is located in the remote border areas of Heilongjiang and Xinjiang, requiring relatively large investments for its development. The potential for an expansion of arable land is therefore very limited.

Large plots of arable land have become occupied by the increased population, by industry and mining, communications, city and township housing, and by the development of enterprises. During the period from 1952 to 1990, 183 million mu of arable land have been lost, an average annual loss of 4.69 million mu. In 1991, the loss was 7.32 million mu, in 1992, it was 11.085 million mu, and compared with the preceding years the losses had grown larger by 51.4 percent. If this is allowed to go on, it will become impossible to reverse the trend of losing arable land.

There is also a decline in the quality of China's arable land; the productivity of the land is low, a fact which manifests itself in the following:

1) A large proportion are medium- and low-yield fields. Of all the arable land in China, 32.2 percent are high-yield fields, 27.5 percent are medium-yield fields, and 40.3 percent are low-yield fields. The proportion of these three types of fields is about 3:3:4.

2) Nutrient content of the soil is declining. Presently, the attitude that prevails to a serious extent is one of "disesteem of agriculture" and "abandonment of agriculture," and, as a result, little is being invested in arable land, so that its nitrogen, phosphorous, and potassium content is out of balance, and no higher demands for increased agricultural production can be made of the soil.

3) The areas of soil erosion are constantly increasing. Shortly after liberation, losses throughout the country due to soil erosion amounted to 1.5 million square kilometers, while data for 1992 show a loss due to soil erosion of as high as 3.67 square kilometers, half caused by water and half caused by wind.

4) The areas of desertification are continuously increasing. At present, China's desert areas extend over 1.095 million square kilometers and account for 11.4 percent of the nation's land mass. It is estimated that the desertification in the year 2000 will have increased from the present 176,000 to as high as 251,300 square kilometers, an increase of 43 percent.

5) Worsening soil pollution. By now, 300 million mu of soil are already polluted by the "three wastes" (waste gas, waste water, industrial waste) and by pesticides; soil polluted by pesticides alone accounts for one-seventh of the total arable land.

We are now proposing the following countermeasures to cope with the various challenges faced by China in its arable land:

Intensifying propaganda, formulating a policy for the protection of arable land.

We need to enhance awareness among our numerous cadres and among the masses of the fact that land is an irrecoverable resource. Strict enforcement of the "Land Management Law," and granting rewards to anyone who

contributes toward protection of arable land, improvement of the soil, raising land productivity, preventing regression, and checking deterioration of the land into wasteland.

Accelerating development in the western regions, shifting emphasis of national economic development to the west.

The population density in China's eastern coastal regions is 225 persons per square kilometer, which is five to six times the world's per unit sustaining capacity of land, and since the natural productivity of the land is 500 to 1,500 kilogram per mu, there is hardly any possibility for continued development. In the western regions, on the other hand, one square kilometer can sustain only 12 persons, and the natural productivity of land is 70 to 270 kilogram per mu. The western regions have an abundant resource of light and heat, and with only a little more investment, it is very clear that its development will be successful.

Improving soil quality is fundamental to protection of arable land and for the prevention of its regression

We need to strengthen the natural capacity of supplying and preserving soil nutrients, proper management of the soil and its moisture content, increasing input of supplements, expanding the system of ecologically well-balanced cultivation, and of optimal management measures, so as to adapt sustained, steady, and well-coordinated development of agriculture with the compositional changes in the arable land. The critical point is to do an effective job of improving the basic conditions of the fields, building up a thick layer of fertile topsoil, and integrating fertilizer enrichment with biological enrichment of the soil, so as to enhance its productivity.

Developing the planting of plants with diverse maturing times, fullest and most efficient utilization of arable land

Because of the diversity of natural conditions, it is necessary to develop a highly efficient system of cultivation, which, while suited to the particular local conditions, must be characterized by intertillage. If the multiple cropping index could be raised from the present 150 percent to 160 percent, the sown area could be increased 1.5 to 2 times.

North Korea Reopens Port to Jilin Corn Exports

*95CE0013G Changchun JILIN RIBAO in Chinese
16 Sep 94 p 2*

[FBIS Translated Excerpt] In September, North Korea reopened Chongjin port to Jilin corn exports. Today a shipment of corn was exported to Japan. In 1985 Jilin began exporting corn through the port in Chongjin, transshipments were stopped in 1991 because of economic reasons. In June this year, Jilin and North Korea signed an agreement on transshipment of corn exports.

Views of 'Economies of Scale' in Agriculture

*94CE0790B Beijing JINGJI RIBAO in Chinese
30 Aug 94 p 5*

[Article by Gao Shusheng (7559 2579 3932): "Some Views on Economies of Scale in Agriculture"]

[FBIS Translated Text] On the question of whether it is possible to have economies of scale in agriculture, various theories by economists have risen and fallen in the course of rural reform. Under the new situation created by rural reform, this has again become a hot topic for theorists to discuss.

There are presently three main views among economic theorists on the question whether one may institute economies of scale in agriculture: One view believes that economies of scale are the only way for China in its modernization of agriculture, and that it is presently not only necessary but also feasible to go that way. One view believes that conducting economies of scale in China is beset with a multitude of difficulties, and that it is very unrealistic to propose economies of scale in agriculture. Another view believes that conducting economies of scale in China's agriculture will require a transitional and somewhat protracted process, and that for the present what one ought to carry out is rather "moderate" scale operations.

Is It Necessary to have Economies of Scale in Agriculture?

Scholars who propose economies of scale in agriculture are emphatic that economies of scale are an absolute necessity for China. They believe that in order to have long-term stability and development in agriculture, it is necessary to break with the narrowness of the present scale of agricultural production, to have agriculture go the way of economies of scale and intensive operations, and their arguments in this respect are:

First, the narrow scale of agricultural production and the backward way in which production is organized are the main causes for the low efficiency and slow growth rate in China's agriculture. Scale is the foundation and precondition for efficiency; a small scale of agricultural production restricts application and spread of science and technology in agriculture and constitutes a great obstacle to such application and spread. It will, at the same time, increase the difficulties for any adjustment of the structural setup of production.

Second, with China's limited resources of arable land, raising agricultural productivity and increasing peasant income requires an adjustment of the scale of land cultivation, requires allowing all workers in agriculture to possess sufficient land to raise agricultural productivity and to raise the rate at which agricultural products are turned into commodities. Economy of scale in agriculture can also increase peasant income without forcing up prices for agricultural products.

Third, agricultural production is characterized by high fixed assets and a low utilization rate and by protracted production cycles and a slow rate of funds turnover. This is why it is necessary to reduce the costs of agricultural production by the adoption of economies of scale. Especially during the conversion to a market economy, when the price structure has to be readjusted, when prices for basic products have to be raised, and the prices for farm stock cannot for any length of time be held down at a low

level, it is then that instituting economies of scale in agriculture would be a major way for agriculture to absorb the factor of rising prices.

Fourth, small-scale agricultural production is disadvantageous for infrastructure development in rural areas and is also disadvantageous for the expansion of agricultural reproduction and for increasing agriculture's ability to withstand natural calamities. Agricultural operations on a narrowly limited scale make it extremely difficult for agriculture to provide social services and to institute enterprise-type management.

The continued advance in rural reforms gives impetus to the emergence and development of nonagricultural industries in rural areas and makes it possible for peasants to seek employment opportunities outside of agriculture. In this new situation, a tendency has arisen in some areas of landholdings becoming relatively consolidated, or of turning to economies of scale. Based on their thorough investigation and research, some scholars have argued that the new situation that has emerged in rural reform had indeed proven the possibility and feasibility of economies of scale in agriculture. They believe that once channels are opened for employment outside of agriculture, land will no longer constitute the only means of production for the peasants, and that it will then be possible to institute economies of scale in agricultural production. Because land will then no longer be the only means of production for peasants, institution of economies of scale in agriculture will prevent abject poverty—as has existed in traditional rural society—of peasants without or with too little land. Some scholars give much credit to the method, now practiced in around 30 percent of the country's rural society, of having "increases in population without increasing plots of land, decreases in population without diminishing plots of land," as they believe this will stop the further splitting up of land into smaller plots, and will lay the foundation for economies of scale in agriculture.

Extensive Implications of Economies of Scale in Agriculture

The opportunity for peasants to find relatively steady employment outside of agriculture is, one may say, an absolutely essential precondition for the institution of economies of scale in China's agriculture. Only when surplus rural manpower can be shifted to non-agricultural pursuits can peasants hope to transfer contracted land, and can landholdings become relatively consolidated. The scale and extent to which landholdings can be compacted will be in direct proportion to the scale and extent to which rural surplus manpower will be shifted away from agriculture. The point emphasized by those scholars who are against the present institution of economies of scale in agriculture is indeed that it is so extremely difficult to shift surplus rural manpower away from agriculture.

China now has about 100 million hectares of arable land; how much employment opportunity can this limited amount of arable land provide for peasants? Certain research has shown that an appropriate scale of rural production requires an

average of 1.3 to 2.0 hectares of land per household. Computed on this basis, presently available arable land could provide employment opportunity for only 50 million rural households. If we count an average of five persons per household, it would allow about 250 million persons to be employed in agriculture. According to statistics, in 1993, somewhat over 8 million surplus rural manpower transferred to nonagricultural production, but since manpower increases by somewhat over 7 million every year, even deducting those who transfer out will still leave the number of those entering the rural labor force at a level of 340 million.

The scale and speed at which rural surplus manpower transfers out is determined by the development of nonagricultural production in the rural areas and by increasing employment opportunities in cities and townships. Since the beginning of the reform, absorption of rural surplus manpower by town and township enterprises has been strikingly successful. During the period from 1984 to 1988, an annual average of 12.6 million of the rural manpower has been transferred away, and during the period from 1989 to 1992, an annual average of 2.6 million has been transferred away from agriculture. Presently, 106 million peasants are employed in town and township enterprises. However, the widely scattered location of town and township enterprises and their social and regional characteristics limit the number of rural surplus manpower that can be transferred to them. The movement of rural surplus manpower to cities and townships is furthermore restricted by the census registration system, by the degree of industrial development in cities and townships, and by the available infrastructure. In short, shifting rural surplus manpower is indeed beset with great difficulties.

Studies by the World Bank of the pattern in the decline of the proportion of rural manpower in the various countries of the world during the period from 1960 to 1980 have shown that in low-income countries, the average annual rate of such decline of rural manpower was 0.5 percentage points. In China, during the 40 years from 1952 to 1992, the average annual rate of such decline had been 0.63 percentage points. Even so, if we additionally consider the ability to absorb manpower made possible by China's economic growth rate, it would still require several decades of effort for China to achieve the employment structure for rural manpower as we see now in the medium-developed countries (a proportion of around 15 percent of rural manpower).

Advancing the Reform of the Landholding System

Scholars who propose the "moderate" scale of operations in agriculture on the one hand recognize the necessity of scale operations in agriculture, but on the other hand are also aware of the arduous nature of promoting scale operations in agriculture. On the one hand they realize the difficulties, in macroeconomic respects, of shifting surplus agricultural labor, and on the other hand also view as important, in microeconomic respects, the trend toward a relative consolidation of landholdings in areas of faster economic development. Judging by the trend in agricultural development, they believe that instituting large scale

operations in agriculture is the way that has to be followed to achieve modernization in agriculture. However, we must not mistake objectives for actual reality; instituting large scale operations in agriculture is an arduous and protracted process. In view of this fact, the alternative to be chosen at this time, they argue, is to propose "moderate" scale operations in agriculture.

Instituting "moderate" scale operations in agriculture requires an appropriate consolidation of landholdings, and demands, as a consequence, free circulation of land use rights among the peasants. For this reason, it is necessary to advance the reform of the landholding system. The present patterns evolved in the reform of the landholding system are mainly of the following types: First, changing the household contract system into a system of voluntary contracting; second, having the collectives "re-contract" from the peasants, and "lease" contracted land, or allowing peasant households to "share" with their contract land in "share" dividends; third, instituting a "twofold farmland system," with fully contracted "farmland to produce grain for one's own consumption" and "farmland with fixed output quotas" contracted on request; and fourth, instituting a system of the cooperative shareholding of land.

Hubei Cotton Procurement

95CE0013I Beijing NONGMIN RIBAO in Chinese
10 Oct 94 p 1

[FBIS Translated Text] By the end of September, Hubei Province had put 110 million kilograms of cotton in storage, accounting for 30 percent of the plan, and was an increase of 400 percent over the same period in 1993.

Sichuan Sets Goals for 1995 Crop Area, Output

95CE0013K Chengdu SICHUAN JINGJI RIBAO
in Chinese 8 Oct 94 p 1

[FBIS Translated Excerpt] In 1995 the planned spring grain area in Sichuan Province is 4630 [as published] mu, of which the wheat area is 34 million mu; and the rape area is 11,400,000 mu. Planned gross output of grain is 10 million tons, a 2 percent increase over 1994; and the planned gross output of rapeseeds is 1,250,000 tons, a 10 percent increase. The key to increased output is to increase per unit yield. In 1995 the per mu yield of grain should reach 215 kilograms, the per mu yield of wheat 235 kilograms, and the per mu yield of rapeseeds 110 kilograms.

Hebei, Yunnan, Fujian, Hubei Estimate Grain Output

Hebei Crop Output

95CE0013A Beijing NONGMIN RIBAO in Chinese
14 Sep 94 p 1

[FBIS Translated Excerpt] This year the estimated gross output of autumn grain in Hebei Province is 25.5 billion jin, gross output of cotton 800 million jin, and gross output

of oil crops 3.38 billion jin. At present, 8.619 billion yuan has been allocated for autumn farm crop procurement.

Yunnan Crop Output

95CE0013C Chongqing XINAN JINGJI RIBAO
in Chinese 21 Aug 94 p 1

[Summary] This year, the planned grain output in Yunnan Province is 11.25 billion kilograms, an increase of 350 million kilograms over 1993. This year the summer grain area totaled 16,650,000 mu, an increase of 662,000 mu over 1993. The summer oil crop area was 1,150,000 mu, an increase of 236,000 mu, or 25.8 percent. But the area affected by drought exceeded 3,600,000 mu, and the area damaged by insects and rats was 2,300,000 mu. Summer grain output totaled 2.002 billion kilograms, a decline of 110 million kilograms, or 2.5 percent from 1993. Summer oil output totaled 98,000 tons, an increase of 7,600 tons, or 8.4 percent over 1993.

Fujian Grain Output

95CE0013E Beijing ZHONGGUO XINXI BAO
in Chinese 5 Sep 94 p 3

[Summary] The estimated autumn grain area in Fujian Province is 18,175,000 mu, an increase of 216,000 mu, or 1.2 percent over 1993. The provincial government planned grain area is 18,200,000 mu. Planned grain output is 9 million tons.

Hubei Crop Output

95CE0013J Wuhan HUBEI RIBAO in Chinese
16 Sep 94 p 1

[Summary] Gross output of summer grain in Hubei Province was 4.85 billion kilograms, an increase of 2.7 percent over 1993. Estimated gross output of early rice is 3.75 billion kilograms, an increase of 150 million kilograms over 1993. Estimated gross output of grain for 1994 is 23.5 billion kilograms, about a 3 percent increase over 1993. Estimated gross output of cotton is 10 million dan, a 20 percent increase. Estimated gross output of rapeseeds is 19,440,000 dan, about a 24 percent increase, and estimated gross output of edible oil is 24 million dan, a 10 percent increase.

Ningxia Autonomous Region Sets Vegetable Prices

94CE0790E Yinchuan NINGXIA RIBAO in Chinese
1 Sep 94 p 1

[Notice by the People's Government of the Ningxia Hui Autonomous Region on Strengthening Control Over Vegetable Prices]

[FBIS Translated Text] In recent years, the Ningxia Autonomous Region has deregulated prices for the purchase and sale of vegetables, allowed their being traded through various channels and their prices to be formed by the market. Thanks to the serious attention paid by the leadership at all levels, and due to the effective measures that

have been taken, there has been a marked improvement in the supply of vegetables; circulation has been brisk, supplies have been ample, the masses have enjoyed greater convenience. This had been in harmony with the demands from many different levels of consumers, and has resulted in some very large changes in the vegetable consumption of urban and rural households. However, in the "changing of tracks" that is now taking place in the market, there are still certain problems, a primary one being the excessive increases in vegetable prices and the excessive differential between wholesale and retail prices for certain types during the off-season, facts which have provoked much adverse criticism from the masses. To ensure the fundamental stability of prices for items essential to the people's livelihood, notice is hereby given of the following tentative regulations for the strengthening of control over vegetable prices:

1. Decontrol of wholesale prices, control of retail prices, and sensible control of the differential between wholesale and retail prices for common quality vegetables.

1. Decontrol of vegetable wholesale prices. Vegetable wholesale prices shall be independently negotiated between wholesalers, vegetable farmers, carriers, and retailers, and prices shall be arrived at in the market.

2. Ceiling prices shall be set for the retail sale of vegetables in the vegetable retail markets. They shall be determined by the commodity price departments of the various cities and counties, together with the administrative departments in charge of industrial and commercial affairs, based on the market supply-demand situation and on the residents' tolerance level and wholesale prices, to which is to be added a sensible differential between wholesale and retail prices. Retailers and retail dealers must not sell vegetables at higher than ceiling prices.

3. Differentials between wholesale and retail prices shall be determined for leafy vegetables and fruit vegetables. In summer and autumn, this differential shall be 40 to 50 percent for fruit vegetables and 50 to 60 percent for leafy vegetables; in winter and spring, 60 to 70 percent for fruit vegetables and 70 to 80 percent for leafy vegetables.

4. Altogether 16 types of vegetables shall be subject to the control of their price differentials between wholesale and retail prices:

In summer and autumn, the following 10 types: cucumber, eggplant, tomato, jiaogua [an aquatic grass], celery, meidou, chili, rapeseed greens, cauliflower, and early maturing lianhuacai.

In winter and spring, the following six types: Chinese cabbage, radishes (green and red), potato, rapeseed greens, autumn lianhuacai, and Chinese chives.

Summer and autumn refers to the time between the beginning of June and the end of October; winter and spring refers to the time from the beginning of November to the end of May the following year.

5. In the cities of Yinchuan and Shizuishan, ceiling prices for retail sales of vegetables shall be daily displayed at the notice boards for market prices by their respective offices in charge of industrial and commercial affairs at the farm-produce markets, as well as publicly announced to the local residents in the news media. In all other counties (cities), the commodity price departments shall periodically notify the local residents of ceiling prices for the retail sales of vegetables through the news media.

6. Ceiling prices for farm-produce markets shall also apply to vegetables that are not passing through wholesale markets, but are brought to retail markets directly from the producing areas or sold directly by the vegetable farmers themselves.

II. The commodity price departments in the cities of Yinchuan and Shizuishan shall assign particular officials for work at the main local wholesale markets, where they shall gather information on the day's vegetable wholesale prices. On that basis, they shall compute the day's ceiling prices for retail sales, and shall publicize all price information. They shall forecast market price conditions for vegetables, they shall help the industrial and commercial departments and the security agencies in the suppression of fraudulent acts, of attempts to monopolize the market, and of attempts to drive up prices. They shall assist in maintaining market order and in normalizing the pricing procedure in the markets. In all other counties (cities), the local people's governments shall decide whether to have commodity price departments work at the wholesale markets. All industrial and commercial departments and security agencies shall actively cooperate with the commodity price departments in their endeavor toward market development.

III. Reducing intermediary links, encouraging and supporting vegetable farmers to come to market themselves and sell directly.

1. After obtaining consent from relevant departments, the departments in charge of industrial and commercial affairs shall allot a portion of the stalls in the farm-produce markets to vegetable farmers, appropriately reduce fees charged to them, and shall grant them certain preferential conditions, thus giving support to vegetable farmers who come to market themselves to sell directly.

2. With due consideration for the location of housing of their citizens, the two cities of Yinchuan and Shizuishan shall designate places for markets to be held early in the morning or late in the evening for vegetable farmers to sell by themselves directly. The departments in administrative control of industrial and commercial affairs shall be in charge of the administrative control of the early-morning and late-evening markets, for which no licenses shall be required, and no administrative fees and street occupancy fees shall be collected. Vegetable farmers shall also be permitted to move about through streets and lanes to directly sell their vegetables.

IV. Increasing the contingent of commodity price inspectors at the vegetable retail markets and stepping up inspection of prices at the farm-produce markets.

1. The commodity price inspection offices of all cities and counties shall make it part of their daily routine to inspect vegetable prices at the farm-produce markets. The commodity price supervisory stations of staff and workers in the two cities of Yinchuan and Shizuishan shall designate a certain number of their supervisory personnel to visit all farm-produce markets—there should be one or two persons per market—to check for and appropriately deal with price violations, as entrusted to do so by the commodity price inspection offices.

2. If vegetables are sold at prices that exceed the set retail sales price ceilings, consumers may complain and report such cases to the commodity price departments, the departments in administrative control of industrial and commercial affairs, and the staff and workers commodity price supervisory personnel at the place of the market in question, whereupon the relevant agency shall promptly investigate and take appropriate action.

V. When taking firm action in the area of circulation to stabilize vegetable prices, the people's governments at all levels shall at the same time conscientiously work at their "food basket projects," effectively build up vegetable reserves for the winter and spring seasons and establish a fund for the regulation of prices for non-staple foodstuffs, so as to promote production, increase effective supplies for the market, and truly and effectively stabilize vegetable prices.

VI. The provisions of the present notice shall be enforced as of 1 September.

Heilongjiang Holds Grain Work Conference

SK1810095094 Harbin HEILONGJIANG RIBAO
in Chinese 9 Oct 94 p 1

[By reporter Liu Yifu (0491 0310 2591): "The Heilongjiang Provincial Grain Work Conference Urges Expansion of the Dynamics of Purchasing Autumn Grain and Ensuring the Fulfillment of Grain Purchasing Tasks"]

[FBIS Translated Text] The provincial grain work conference sponsored by the provincial government on 9 October urged that we should clearly understand the new economic development situation for grain, seek unity of thinking, expand the dynamics of purchasing autumn grain, and ensure the fulfillment of the 1994 grain purchasing tasks. Wang Zongzhang, vice governor of the provincial government, made a speech at the conference.

The calculations showed that this year, the province's grain and soybean output is expected to exceed 25 billion kilograms, setting a historical record. Our province has an ample supply of grain and does not have to worry about the sales of grain in other areas. So, we completely have the conditions for turning grain resources into economic advantages.

After assessing that our province's total grain and soybean output is expected to exceed 25 billion kilograms, Wang

Zongzhang pointed out that under the situation that the demand for grain is high throughout the country as a whole, market competition will become increasingly sharp with each passing day. He urged that governments at various levels and all departments concerned should unify their thinking about the importance of the state grasping necessary grain resources and about the necessity of the governments being responsible for the markets. We should appropriately provide the markets with necessary grain resources, capital, transportation, processing, and marketing services so as to ensure the stability of grain prices and markets.

Wang Zongzhang pointed out: The governments at various levels must clearly understand that the meaning of fulfilling this year's autumn grain purchasing tasks is different from that of previous years. First, the whole country's grain output has been reduced due to disasters. The country needs more grain to balance the supplies of the grain and oil markets of the whole country. Second, whether or not the grain purchasing and market purchasing tasks can be fulfilled is directly related to the 1995 market arrangements just because the 1995 grain and oil market arrangements are linked with the amounts of grain purchased. Third, we should first do the work related to "rice bags" and "vegetable baskets" to stabilize prices for goods and bring inflation under control. Without sufficient grain resources, the main grain purchasing channel will find it difficult to stabilize goods prices and bring inflation under control.

Our province's 1994 state-assigned grain purchasing target is 7.5 billion kilograms. Of this, 4.06 billion kilograms should be sold to the state, and 3.44 billion kilograms should be sold according to market demands and price changes. Wang Zongzhang urged that all localities should resolutely implement autumn grain purchasing policies to ensure the fulfillment of the state grain purchasing plan. All administrative offices, cities, counties, state-run farms, reform-through-labor bureaus, and education-through-labor bureaus should comprehensively fulfill the fixed-quota grain purchasing tasks. Through conscientious assessments at various levels, the peasant households with difficulties in fulfilling the grain marketing tasks due to natural disasters should enjoy a reduction in the amount of grain that is to be sold or excused from grain marketing tasks according to their conditions. Except for localities with serious disasters, the province will not approve of reduced grain marketing tasks to any other localities. This year, we should strictly enforce the state-defined grain quality standards and grain purchasing prices and only purchase quality grain. Policies on giving subsidies for drying the corn covered in the purchasing tasks should still be carried out. The method for settling accounts for corn sellers one by one should continuously be carried out. Grain departments must not deduct any funds on behalf of other departments or units in addition to collecting on a commissioned basis agricultural taxes and the down payments to contracted grain sellers, respect the aspirations of the peasants, and be sure not to hand out IOU notes. We should realistically strengthen the control over and the

management of grain markets. Deregulation of markets for paddy rice are allowed as soon as the counties (cities), farm administrative bureaus, reform-through-labor bureaus, and education-through-labor bureaus fulfill their purchasing tasks. However, the export of paddy rice must be limited to realize the target of increasing value through processing. Markets for wheat and corn can be decontrolled at any time after the administrative offices, cities, farm administrative bureaus, reform-through-labor bureaus, and education-through-labor bureaus deliver written reports on ensuring the fulfillment of the purchasing quotas to the provincial government. Markets for soybeans should be decontrolled within the province after counties (cities), farm administrative bureaus, reform-through-labor bureaus, and education-through-labor bureaus fulfill their purchasing tasks. However, soybeans must not be sold outside province until the demands of the province's oil processing enterprises are satisfied.

Wang Zongzhang also urged that banking, financial, and grain departments should collect funds for purchasing grain in a timely manner so as to ensure that peasants are not paid with IOU notes.

MILITARY, PUBLIC SECURITY

Public Security Ministry Establishes Office

94CM0409A Beijing RENMIN GONGAN BAO
in Chinese 6 Aug 94 p 1

[Article titled: "Public Security Household Administration Office Officially Established"]

[FBIS Translated Text] A Public Security Household Administration Office was recently established in accordance with the State Council's most recently approved "Plan for Disposition of Public Security Functions, Internal Organs and Authorize Personnel Levels."

Household administration is an important constituent part of national administration, and for many years has played an important role in service to the construction of socialism, to safeguarding citizens' legitimate rights and interests, and to the maintenance of social stability. However, in the wake of the expansion of the pace of reform and opening, particularly in the process of the establishment of a socialist market economic system, household administration, a relatively stagnant issue, has daily become more critical and numerous abuses have been exposed in household registration and various registration and administrative systems, the policy of reporting change of domicile to local authorities, vital statistics, administrative measures, the administrative system and the construction of a relevant legal system. Hence the Ministry of Public Security, with State Council approval, has established the Household Administration Office in order to reform and strengthen household administrative work, and be of even better service to reform and economic development.

The primary responsibilities of the Household Administration Office are: study of normal population registration

administration and the policy of reporting changes of domicile to local authorities, and responsibility for the household registration administration system; drawing up laws and regulations governing residential identity cards, and citizen birth certificates, guiding credentials system work and day-to-day administrative work; studying and guiding temporary resident population, etc, population administration and educational assistance work for juvenile offenders; responsibility for gathering and analysis of national annual population statistics, and the expansion of and application work for the national population basic information computer administration system.

Minister Tao Siju Speaks at Security Conference

94CM0409B Beijing RENMIN GONGAN BAO
in Chinese 23 Aug 94 p 1

[Article by Yang Chaohui (2799 2600 2547), Miao Hongliang (5379 4767 0081), titled: "Provincial and City Public Security Department Heads Conference Opened by Ministry of Public Security in Dalian, Minister Tao Siju Hosts Conference and Delivers Speech"]

[FBIS Translated Text] From August 16 to 18, the Ministry of Public Security held a Provincial and City Public Security Department Head Forum in Dalian. Minister of Public Security Tao Siju presided over the conference, and participating were Public Security Department Heads from Beijing, Liaoning, Hunan, Guangdong, Jiangxi, and Guizhou provinces, and Shenyang and Dalian City, office or research office heads, Assistant Minister of Public Security Luo Feng [5012 6912] and responsible comrades from relevant departments and organs.

Minister Tao delivered a speech at the conference, and pointed out that under today's new circumstances, we must strengthen inspection and research work, and adopt new measures directed at the new situation and new issues. We must continuously enhance team building, and increase the fighting ability of public security contingents. The Ministry's Party Secretary believes that through deepening research discussions, we can certainly be even more effective when it comes to the current set of social public security countermeasures we have adopted.

Tao Siju stated that even though the overall current social public security situation is good, and is basically appropriate to the needs of reform and opening and economic development, there are clearly some areas where the public order is in turmoil, criminal offenses are running rampant, and the masses strongly object. The Party Central Committee and State Council are paying very close attention to this, and public security organs, as the departments responsible for social public security, must correctly analyze the current social public security situation, and increase their sense of urgency and sense of responsibility, while giving full play to subjective initiative, continuously improving and strengthening work of various types, and increasing their ability to strike at criminal elements and control the society's public security. At present it is necessary, in accordance with the essence of Central Committee

directives, to concentrate energy, and in a down-to-earth manner properly grasp solemnly striking at criminal elements and straightening out the social public security situation, while working hard to create an excellent public security environment.

When the conference started, Liaoning Provincial Party Committee Standing Committee, and Politics and Law Committee Secretary Comrade Liu Zhenhua [0491 2182 5478] and Dalian City Party Committee Deputy Secretary Comrade Lin Qingmin [2651 1987 3046] arrived and delivered speeches. Prior to the meeting, Minister Tao, and Assistance Minister Luo, exchanged views with Dalian City public security work and Dalian Party and government leaders. Minister Tao also went to such grass-roots level units as the Dalian Public Security Bureau, the Lushunkou Public Security Bureau, the Border Crossing Administration Office, the Mayang Village Police Station, and the Frontier Inspection Station to hear reports, and inspect work.

Militia Must Better Adapt to Changing Circumstances

94CM0001A Yinchuan NINGXIA RIBAO in Chinese
5 Sep 94 p 3

[Article by Li Lianghui (2621 4328 6540), Ningxia Military Region Commander: "Increase Consciousness About the Need to Adapt As a Means of Raising the Quality of Militia Reserves Across the Board"]

[FBIS Translated Excerpt] Adapt to Changed Circumstances; Diligently Study Solutions to New Problems

How to handle correctly the correlation between building the national economy and building national defense, readjusting the make-up and the organization of the militia under a market economy is a new problem confronting us today that we must diligently study and solve. First, we must adhere to the "adaptation" principle. Adaptation to national economic construction needs, and adaptation to national defense needs is an important principle and a basic method in militia work. We must unify ideological concepts around the central task of economic construction, changing from sole concern about "soldiers" to how soldiers are to be used, and consciously acting as the greater good of economic construction requires. We must readjust the work pace to the rhythm of local economic construction so that militia work and key tasks spur each other along in coordinated development. Second is the need to introduce the competition mechanism. We must introduce the competition mechanism as a means of spurring all levels to strive to move upward and forge ahead, performing all tasks in a highly efficient and rhythmical way. Third is the need to improve quality concepts. We must do a solid job that meets strict standards and requirements, build a solid foundation, and improve quality. Fourth is the need to apply a pragmatic approach. We must adapt to the new reform situation, encouraging militia education and training that is in keeping with the times and in which general methods are suited to specific circumstances. For

Ningxia, this means taking account of the region's minority nationalities and its poverty, making three changes and paying close attention to one building task as follows: We must change ordinary indoctrination to indoctrination that emphasizes key point to improve militia organization and concepts of law and discipline; we must change from simple training and organizational readjustments to greater efforts in the all-around building of the militia and reserves, and to improvement of quality. We must change from individuals going out on their own to work to organizing the militia to take part in the construction of key projects for better overall quality. We must pay close attention to the building of local armed military forces laws and regulations for running the militia according to law.

Strict Application of Standards to Raise the Overall Level of Grassroots Level Militia

Basic to a good job of building grassroots militia is close attention to the "three applications" in militia work. Efforts must be concentrated on organizing militia in newly established enterprises, township and town enterprises, and economic entities; on adhering to the system whereby the Party controls armed forces and on purifying the ranks; and on cadres at all levels and special technical troops serving as the focus for standardized training to improve their combat capabilities. "Regulations on the Work of Enterprise Militia and Reserves" of the seven departments and committees of the Central Committee must be diligently applied to improve regular combat readiness, training, work, and day-to-day life. Group training, training of replacements, and nurture of replacements should be used in the rotational training of people's armed police, and special armed police cadres as means of solving fundamentally the glaring problems of lack of continuity in people's armed police organization, and the fairly low caliber of people's armed police cadres. The drawing up and putting into effect of systems for regular inspections, assignments of personnel to specific sites to gain experience, and assigning people as acting heads of various positions should be used as a means of supervising, spurring, guiding, testing, comparing, surveying, examining, consolidating, and improving work for the steady encouragement of militia building at the grassroots level.

Organization of the Militia to Make a Contribution to Social Stability and Development

People's armed police units at all levels must bear in mind the greater good of stabilizing society, developing the economy, and making the people prosperous, actively discharging their functions and serving as local CPC committees, and the military arm and staff department of the government. They must assign soldiers, train soldiers, indoctrinate soldiers, and improve soldiers in the course of reform and opening to the outside world. Cities must employ "small detachment" activities as enterprise profits and losses permit, and as missions change at different stages. They must organize militia to tackle technical problems, take part in labor competitions, and conduct

campaigns to increase production and practice thrift. Rural areas must adopt large unit combat methods, military sub-districts, and people's armed police headquarters taking the lead in contracting fairly large projects, organizing militia and reserve personnel to take part in construction, and to live a company unit life as a means of improving overall organization and command coordination capabilities. People's armed police units in the southern mountain region must encourage people's armed police cadres and both militia and militia reserve personnel to operate businesses, to shed poverty and become prosperous, to support the needy and help unity, and to expand the influence of the militia. Second, major efforts must be made to build quick reaction militia units that "come when called and that are ready to fight when they arrive." A good job of readjusting, augmenting, educating, checking, and revamping must be done to improve training and exercises that improve mobility, coordination and the handling of all sorts of situations that may suddenly occur, thereby improving ability to concentrate forces in emergencies and carry out various tasks.

Vigorous Efforts to Spread Advanced Practices That Spur Advances in the Building of the Militia and Reserves

Ningxia has both a fine old red guard tradition, and the glorious history of the Red Army crossing Liupanshan. It also has the Helanshan spirit that blends traditional models with the temper of the times. We must continue to carry these things forward, imbue them with new meaning and new ideas, and fashion a new image and a new style. Fostering and publicizing a number of advanced role models of the "old red guard militia company," "Liupanshan militia company," and "Helanshan Militia Company"—each imbued with their own individual character—can advance work, improve quality, and publicize Ningxia. We must proceed from local realities to do a good job of consolidating and improving old role models and discovering and fostering new role models. Units at all levels must inculcate a sense of striving to be first and achieving outstandingly, always maintaining high standards and meeting strict requirements no matter the task they perform, having a can-do spirit, a competitive spirit, a creative spirit, and organize and spur the rank and file of people's armed police cadres, and militia reserves officers and men to take active part in "twin firsts" campaigns, and make the work of the militia and reserves throughout the region leap a new step upward.

PRC MEDIA ON TAIWAN AFFAIRS

Economic Revitalization Plan Seen Difficult

94CE0760A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese
No 33, 22 Aug 94 pp 31-32

[Article by Chang Kuan-hua (1728 0385 5478): "Taiwan's 'Economic Revitalization Plan' Proving Difficult To Start"]

[FBIS Translated Text] The "economic revitalization plan" is an important economic measure issued after Lien Chan's "cabinet" came to power in Taiwan. Its major purpose is revitalize investors' interest by removing whatever obstacles to investment there may be in land, technology, labor force and capital, etc. This plan was launched last July; but now, after one full year, its progress has been unsatisfactory and its economic results are being discounted.

Inefficient Implementation of the "Plan" Has Put Important Projects Behind Schedule

Since the launching of the "economic revitalization plan" one year ago, it has been so difficult to accomplish each step that many non-economic factors have seriously restricted its implementation. Revision of regulations and laws have been hampered by inefficient administration, politicized confrontational attitudes in the Legislative Yuan, and local governments' going their own way. Of more than 10 important financial bills which are urgently needed to make stipulations or revisions in the "plan," half have still not been finished by administrative departments, while the other half has been delayed by the Legislative Yuan; not even one bill has become law. Financial independence provisions have been delayed by a lack of coordination among various government department. The Central Bank and the Ministry of Finance have provisions far different from those requested by the Committee on Economic Construction, and it will be difficult to reconcile them. On the aspect of land reform, massive pressures from special interests "criticism of their performance", has made the government fearful of going ahead. In addition, disputes over environmental protection are becoming sharp, and local tax variations such as the growing "mayors' tax", have also created layers of obstacles to implementation of the "plan".

Due to the limitations imposed by the factors listed above, the progress of the "economic revitalization plan" during the past year moved as slowly as a cow walking, the only exceptions being certain progress in such aspects as capital coordination and promotion of large scale investment plans, etc.

—Industrial land use is a key part of the "plan", but not even one item of planned agricultural land use and public land use has been accomplished so far; and, for procedural reasons, the plan to convert adjacent land to industrial land use has also fallen seriously behind schedule.

—As for labor force and technology, the initial plan to hire 200 overseas industrial experts to return to the island in the first year is still a castle in the air. There originally was an official allocation of NT\$20 billion for investment in more than 20 high tech businesses, but only two have applied so far.

—On the aspect of capital, the Central Bank's allocation of NT\$40 billion in postal deposits for strengthening manufacturing, technological services and medium and

small size enterprises in raising capital actually has only NT\$1.32 billion in application funds, which is only 3.3 percent. The direction of capital flow differs too much for each bank on the island, so the capital did not flow to the manufacturing sector, which urgently needed it; rather, too much of it flowed to the construction sector.

—Concerning cross-strait trading, there has been no implementation of the initial plan to change from the permit system for Taiwan to engage in trade with mainland China to a system of registration after the trading is done; there have been no permits issued for the 633 products approved by the Ministry of Economic Affairs for export to the mainland; the plan to expand imports of semi-finished products from the mainland was delayed; and, only seven items have so far been verified in the plan to introduce mainland scientific and technological talent, its progress falling greatly behind.

—As for administrative efficiency, the original goal of cutting the "bureaucracy" by 5 percent each year has not only not been accomplished, another 54 administrative units were added in the past year, with an increase of more than 5000 in the authorized number of staff. "Administration reform" has received nothing except a name.

The Economic Results of the "Plan" Were Discounted Considerably

The first year's implementation of the "economic revitalizing plan" has still given some impetus to development of Taiwan's economy. For example, important investment proposals increased rapidly: By April of this year, there were 54 new applications for assistance with major investment proposals of more than NT\$ 20 million; the fixed investment of enterprises among the people in the first quarter increased 18.7 percent over the same term last year, and estimates are it will reach 14.5 percent in the second quarter, and will basically reach the expected goals of the "plan". There has been definite improvement in the productive forces, 4.2 percent more in the first quarter of this year over the same period last year.

However, inefficient plan implementation has not fundamentally resolved the bottleneck factors which have hampered investment by Taiwan's private sector, and the investment environment has not changed for the better. These have all considerably discounted the expected goal of economical results in the "plan":

(1) The overall economic growth rate has slowed. While the economies of Western nations have begun to recover, Taiwan's economic growth rate in the second half of last year and the first half of this year was only 5.5 percent and 5.6 percent respectively, lower than the 6 to 7 percent goal as originally set. If private investment continues to be low, public investment will also drop due to restrictions of financial difficulties, and Taiwan's economic growth will lack staying power.

(2) There is concern about a "foam economy" crisis. On the one hand, no one has worked out a solution to the

problem of a low desire to invest by manufacturing circles. Compared with the same period last year, the first quarter of this year saw a drop of 30 percent in the number of newly registered factories and a 60 percent reduction in the amount of increased investment in existing factories. Even those large scale investment proposals which have been registered are based for the most part on considerations of receiving in advance the favorable treatment granted by the "plan", with none of these having any actual investments. On the other hand, the increased amount of private investment has been chiefly in service industries, especially real estate. The share of bank loans to the island's construction industry has reached 22 percent of their loans to businesses run by people, and has become the highest in 14 years. This adds more fuel to already rising land prices; on one hand it adds to the cost of industrial land use, while on the other hand, it causes the existence of a huge number of empty houses, with supply exceeding demand, and raises concerns about another "foam economy" crisis.

(3) Scientific and technical competitive ability is facing a challenge. The development of scientific and technical research has been a key factor in Taiwan's industrial growth, but while the "plan"'s revised plan on "Items Concerned With Promoting Industrial Growth" has passed the Legislative Yuan, the annual scientific and technical project budget of the Ministry of Economic Affairs has shown a negative increase for two years. Manufacturers on the Island invested less than 2 percent of the GNP on research, which presents a challenge to Taiwan's ability to compete in science and technical and to its industrial growth.

(4) Capital continues to flow out of the island. The deterioration of the investment environment has accelerated the capital flow outside the island. Last year, Taiwan invested US\$1.661 billion overseas, with an annual 87 percent growth rate; in the first half of this year, it continued to grow considerably, with investments in Malaysia, Singapore and Thailand more than doubling. The officially verified investment in Mainland China has reached US\$43.5 million.

(5) The long term goal of an "Asian-Pacific Operations Center" will be affected. The Mackenzie Consulting Company of the U.S., entrusted by the Committee on Economic Construction to evaluate this project, pointed out that it was already been too late to build Taipei into the an Asia-Pacific financial center, and there is only a two or three year opportunity to build other project centers. Therefore, some media have noted that at the present pace of the "economic revitalization plan", even if we can assume the title of "Asian-Pacific Operations Center" by the end of the century, its role will be greatly discounted.

Official Countermeasures

The backward progress of the "Economic Revitalization Plan" has caught the government's attention. Lien Chan [6647 2069], President of the Control Yuan, has instructed each "department" and "committee" to speed up its implementation in order to revitalize the economy.

Looking at the present situation, the government will for the most part begin with the following several aspects:

- Expand public construction investment among the people. Twelve key public construction investment projects, including “national housing construction”, large education and entertainment districts, new town and city developments and express railway construction, etc., were selected for expanded investment participation by the people. It is estimated that it will stimulate NT\$160.9 billion in people’s investment, and will provide the impetus for people’s investment growth as well as easing the government’s financial shortage.
- Encourage and assist the development of high tech industry. In land use, speed up the third phase of the Hsingchu science and industry zone’s expansion project, accelerate constructing the Nankao software industry zone, and the Yunlin and Tainan, science and technology industrial zones, providing land to high tech manufacturers at reasonable prices. As for taxes, the Central Bank and the Ministry of Finance will relax the ceiling on high tech industry’s reserved reinvestment rate. Regarding capital supply, try to improve efficiency on the government’s initial allocation of NT\$20 billion for investment in high tech business.
- Assist in resolving the difficulties in investing by enterprises among the people. Establish a “Medium and Small Size Enterprise Investment Promotion Group” for medium and small size enterprises, taking the Kaohsiung Lienshan industrial zone in the plan and the upcoming industrial development zone of the Tainan farmland as the medium and small size industry zone. Meanwhile, let the “Labor Commission” determine how to expand the import of foreign laborers to ease the pressure which the labor shortage problem puts on investment in medium and small size enterprises; for large scale enterprises, lay out a schedule for constructing a combination industrial zone. In addition, let the Ministry of Economic Affairs strengthen coordination and oversight of large investment projects involving more than NT\$20 million.
- Guide the flow of capital into manufacturing. As for the fact that huge amounts of capital are flowing into construction, the Central Bank and the Ministry of Economic Affairs will make quarterly regulatory checks to have each bank reduce the proportion of their loans that go into construction, gradually increasing the proportion of loans going into manufacturing among the total deposits for each year.

Looking at the above situation, although the aspirations of the “economic revitalization plan” are good, inefficient implementation has made Taiwan enterprise circles “quench their thirst by thinking of plums.” Although the government wants to accelerate implementation of the “economic revitalization plan”, they cannot provide effective solutions to a series of noneconomic factors which stymies the “plan”’s implementation. This seems to

explain that, with Taiwan’s trend to multiple social elements and democratization of politics, the traditional governmental economic decision model is facing a greater test. Therefore, it is really questionable whether the “plan” can successfully attain the anticipated goals within the next two years.

TAIWAN

Article Criticizes Taiwan Value System

95CM0012A Taipei TZULI WANPAO in Chinese
28 Aug 94 p 3

[Article by Lin Yixiong (2651 5030 7160): “Remake the Value System of the Taiwanese”]

[FBIS Translated Excerpt] [Passage omitted] The mainstream value system serves a purpose in that it is socially stabilizing. However, if society is ridden with injustice and immorality, the mainstream value system then becomes an accomplice to such injustice and immorality. The injustice and immorality existent in society today are closely related to the following undesirable elements in the mainstream value system.

1. Taiwanese are accustomed to taking a human-centered view of nature and regard other living things as mere objects to be enslaved by man for the satisfaction of his desires. When we see a rare living thing, we often think of killing it so that we can eat it to build up our health. We are incapable of treasuring the living things in nature. Instances of man wilfully destroying mountains and rivers and indiscriminately felling trees and excavating stones and minerals can be found everywhere. All these are signs of a mainstream value system that has no respect for life, that attaches no importance to ecology. Although the concepts of environmental protection and ecological preservation have gained a lot of ground in recent times, the value system rears its ugly head and ecological protection falls by the wayside as soon as economic growth is mentioned. For this reason both the fourth nuclear power plant and the sixth light industry plan have acquired a measure of inevitability. Most people’s attitude is that as long as you don’t build it in one’s own backyard, it is OK. Taiwan people believe that human needs should come before the natural environment and land. Theirs is a value system that places man above nature. This is the first undesirable element in Taiwan’s mainstream value system.

2. Taiwan people consider only personal interests and do not care if others live or die. This value may be present anywhere in the world but is more prevalent in Taiwan. Most people in Taiwan are apathetic toward public affairs and only a handful of individuals are willing to get involved in public affairs. Of the latter group, most are simply using public involvement to pursue personal gains. In things big and small, we can see the indifference of the Taiwan people to public affairs and their lack of concern for public properties. The preoccupation with personal interests, however trivial, and the apathy toward the public

interest are the second undesirable element of the mainstream value system in Taiwan.

3. In the past, Chinese who came to Taiwan after the war looked down upon native Taiwanese, treating them as second class citizens and discriminating against them in public participation, in language, and in daily life. We have learned many a painful lesson from that part of our history. Nowadays, however, one senses a reverse kind of discrimination; some Taiwanese, particularly the Fulao people, who make up the majority, are starting to look down upon people from China and discriminate against those who do not speak the Fulao dialect. There are other forms of discrimination as well; many people despise the Hakkas, the original inhabitants, and foreign laborers, calling them "Hakka boys" and "potato boys" in a derogatory manner and treating them as an inferior race, dumb and incompetent. This is the third undesirable element of the mainstream value system: discrimination against those who are different from us.

4. The first undesirable element concerns our attitude toward the relationship between man and nature, the second has to do with the relationship between the individual and the group, the third is about person-to-person relationship. In all these relationships, Taiwanese show themselves to be selfish and egocentric. How then do the egocentric Taiwanese evaluate man and himself? Herein lies the worst element of the mainstream value system, namely that Taiwanese judge a person's worth and ultimately his own worth by the money and power a person possesses. We do not care whether a person is sincere in his thought and honest and virtuous in his conduct. We only judge him by how much money he has. We are invariably deferential toward the rich and powerful and despise the poor and powerless. It is this kind of value system that drives many Taiwanese to pursue money and power their entire lives and determine a life's worth by the amount of wealth and power accumulated.

The fourth undesirable element, we may say, is the cause of the first three. When a person uses money and power as the ultimate yardstick, everything else, including life, becomes secondary. When human beings are judged solely by their wealth and power, everything in society—people, things, nature—become exchangeable commodities. In a commodity economy, the person who rakes in loads of money is idolized while the weak are scorned and bullied. A person who has wealth and power can do whatever he pleases. Those who have no money or power can only indulge in self-pity.

[Passage omitted]

Newly Appointed Election Commission Chairman Profiled

94CM0406A Taipei TZULI WANPAO in Chinese
31 Jul 94, p 3

[Article by Wang Ying-ming (3769 5391 6900): "Non-Party Person Huang Shih-ch'eng First Election Commission Outsider"]

[FBIS Translated Excerpt] President Li Teng-hui and Premier Lien Chan finally agreed to Interior Minister Wu Poh-hsiung's request to resign as head of the Central Election Commission and appointed Minister Without Portfolio Huang Shih-ch'eng [7806 4258 1004] and Deputy Interior Minister Yang Pao-fa [2799 1405 4099] to the Central Election Commission and appointed Huang Shih-ch'eng chairman of the commission, making it the first time that the Minister of Interior does not serve concurrently as chairman of the Central Election Commission. Even more, he is "the first non-party chairman in the history of the Central Election Commission."

Among the numerous politicians, why did Huang Shih-ch'eng, a non-party person, get the favor of Li Teng-hui and Lien Chan. Lien Chan believes that he is "an honorable and upright" enough person to be chairman of the Central Election Commission. President Li has known him for a very long time. When Li Teng-hui was still provincial governor, he understood the "idiocy" of Huang Shih-ch'eng, the executive of Chang-hua County at that time. To use him again in the important position of chairman of the Election Commission to be in charge of matters related to the major year-end gubernatorial and mayoralty elections and the big future presidential election would be a natural arrangement. Actually, I am afraid that appointing a non-party person that the national leader has confidence in to be in charge of such important elections as the first popular gubernatorial, mayoralty, and presidential elections can easily elicit contention and controversy from the party out of power.

Huang Shih-ch'eng by happenstance became a non-party minister without portfolio chairman of the Election Commission who is envied. There are also some who use the contaminated evil political culture to fabricate a fictitious special relationship between President Li Teng-hui and Huang Shih-ch'eng and spread rumors implying that that is a factor in his present position.

Huang Shih-ch'eng also is very amused by these things that are bandied about in the political arena. He made up a very silly rumor to laugh at it. Merely using his customary attitude to react, he says, "If an official must use unethical means to contend for and maintain his office, it must be impossible to elevate the quality of politics. In the future it will certainly slowly go to the birds and beasts of the zoo. I participate in politics because I am afraid that our sons and daughters in later generations will all become animals in the zoo."

Huang Shih-ch'eng was born into a large rural family in Chang-hua County. His relatives and friends were all typical rural people who never saw the world. When he was a student, he really liked Mencius' saying, "Without a conscience, one is not a person." He also was very fascinated by sack puppet shows and operettas. He believes that good and bad characters were clearly distinguished in the plays and the bad people ultimately did not come out well. This gave him "great satisfaction."

In more than ten years between 1966 and 1981, after graduating from Tung-wu University's law school, he

worked as a lawyer in Taipei and later was chairman of the board of an import-export trading company. In addition to his work, he constantly carried out public service tasks as "chairman of the board of Chang-hua Compatriots in Taipei," "president of the Lions Club," and "on the standing board of the Love the Blind Association." He was in charge of such organizations as the "Football Association" and the "Athletic Association." Perhaps on the basis of these more than ten years of public service and making friends, in 1981 he returned home and as a non-party member proposed that "the interests of county residents be above all else and the interests of party factions be cast aside" to establish an "ethical county" as the administrative goal. Exceeding all others, he defeated the Kuomintang candidate and after the Formosa Incident, became one of four county executives outside the party (The other three were Ch'iu Lien-hui [6726 6647 6540], Ch'en Ting-nan [7115 1353 0589], and Chang Po-ya [1728 0590 7161]). In 1985 he was again reelected and served eight years as Chang-hua's non-party county executive.

As Chang-hua county executive, Huang Shih-ch'eng, unlike most county executives, did not request that the provincial government subsidize the construction of "vote-getting" highways, but requested that they subsidize the improvement of drainage ditches that cannot be seen. As regards asphalt paved road surfaces, when the gas company, the telecommunications bureau, or the water company again dug up the road, in the "first incident" in the history of local Taiwan government, as county executive, he sued the gas company, etc. for damaging the road. He does not drink. When most politicians such as county executives were busy in the evening socializing, every evening he went to take part in one of Chang-hua County's 579 village councils. Because of these various activities, he was greatly admired by Li Teng-hui, the provincial governor at the time, resulting in their forming a good personal friendship based on understanding. Later after he was no longer county executive, with President Li's understanding, he was recruited to enter the cabinet as minister without portfolio and, as secretary of the Cultural Association, he was appointed one of President Li's association chiefs, and then was appointed by Li Teng-hui and Lien Chan to be chairman of the Central Election Commission and become the first non-party chairman since the Central Election Commission was established.

Political personages who know him both praise and disparage his administration and non-party role, but they unanimously say that he "is very truthful in his speech." When Hao Po-tsun was premier, [Huang Shih-ch'eng] reprimanded him to his face for the election bribery, saying "Now it is essentially not democratic politics, it is money politics." When this reporter interviewed him, he critically pointed out that "an ethical culture must be promoted. All of Taiwan's development amounts to nothing. The person who does not have ethics can earn a great deal of money and have several tens of billions or several hundreds of billions in property. He is still an animal, he is still a vile person. If you do not cultivate ethics, even if you are a very great official, you still are an

animal, you still are a vile person." He told Democratic Progressive Party chairman Huang Hsin-chieh, "Taiwan's problem is not in whether or not you take political power. How can a tree with bad roots grow old? If Taiwan is left with only very rotten citizens and society, the ruling party is only taking over a zoo." In the previous second stage of constitutional revision, he also directly criticized the Kuomintang, saying "The ruling party cannot have selfishness. If you do not have dignity, what use is it for them to give you political power? The ruling party should no longer leave the contention garbage. If you continue to let people contend, acting more and more rotten, how is that telling the average people to live?"

The person who is taking up the post of chairman of the Central Election Commission this time himself believes that a non-party person engaging in this task should "be fair, detached, and objective and only ask if it is right or wrong and not talk about benefits. He has not compromised about not drinking. Now in the pursuit of fairness and objectivity he must absolutely not compromise."

[Passage omitted]

Interview With KMT Gubernatorial Candidate

94CM0381A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 385, 30 Jul 94 pp 36-41

[Interview with Sung Chu-yu (1345 2806 3842), former KMT secretary general, by HSIN HSIN WEN reporter Huang Kuang-chin (7806 0342 5367), date and place of interview not given: "Decision to Enter Gubernatorial Race Not Prompted by Personal Considerations"]

[Excerpt] [passage omitted]

[Huang Kuang-chin] Since last March there have been reports on and off that you intend to run. But you never came right out to declare your candidacy. Mr. Chairman, what was your biggest consideration between the time earlier when you were ambivalent about entering the race and later when you decided to run? What made you decide to be a candidate? What was the cause of your initial hesitation?

[Sung Chu-yu] To tell you the truth, I had not made up my mind back in March. The provincial assembly was in session in June and it was then that I made my decision. One day I returned to my quarters to have lunch at the end of a meeting of department heads. As I was preparing for the summary report to be presented to the provincial assembly, I spotted a written report submitted by my aides. When I came across the paragraphs describing the bitter struggle of the early immigrants who had come to Taiwan by boat, my eyes reddened in spite of myself. But I did not say anything that day. I personally read the paragraphs to the provincial assembly. From morning to noon a parade of people encouraged me to run. I was so touched that I decided I must work hard for the people of Taiwan.

The last couple of years has been a highly emotional time for me, particularly the time at the provincial assembly.

When I first joined the provincial government, I had unanimous support from comrades in the party. However, there were people both inside and outside the government watching me to see if I was happy with my position and getting things done in earnest. Many people were skeptical. By the time the general questioning came around in mid-June, however, over 50 assemblymen out of a total of 60 or so publicly pledged their support for me. The KMT's secretary general said he would support me. Provincial Assemblyman Lin Hsien-pao [2651 0103 0202] said publicly that a continued refusal on my part to declare my position would amount to a "failure to appreciate others' favors." Even the Democratic Progressive Party [DPP] had high praise for me. At that point I realized I must give the matter careful thought. Why? Because the provincial government is accountable to the provincial assembly. It would be unseemly for me to remain ambivalent. And if I did make up my mind, I must first inform the provincial assembly of my decision; the representative congress of the provincial party would not be the forum for me to declare my candidacy. Later I spent 3 days in Yilan, Taitung, and Hualien for disaster relief. But I did not breathe a word about entering the race for governor publicly or privately. I did not even broach the matter with the president. If I wanted to run, I would do it in a proper way. I would do the right thing.

I was very reluctant to enter the race. My wife too had a lot of reservations. The reason, frankly speaking, is that I have no money. Everybody knows it is not a question of buying votes. The newspapers talk about me setting up campaign headquarters. But where? I could not possibly ask the provincial government to rent some space to me to be my campaign headquarters, could I? The money has to come from my own pocket, but how? Sell off my only apartment in Linkou? Accept donations? I am strongly opposed to political advertising. I dislike wining and dining day after day. I look askance at endless posturing. You are in charge of an area, then you show us your track record, your way of getting things done. So I told a recent luncheon for Information Agency staffers stationed overseas, "I'm going to run a different kind of campaign." What I meant was that I would be a totally different kind of candidate. Other people may not be as equipped as I am in that they have to build up name recognition. With the name recognition I already have, I need not place political advertisements in the newspapers or make speeches on the stump to make myself visible. I am willing to run because I have this unique opportunity to set a precedent for democratic politics and the related system. We want to find out what this society is really after. What does our so-called democratic politics really mean? Is ours a vote-buying culture, a "sacred cow" culture, a culture obsessed with name recognition? Or are we ready to get things done in a no-nonsense way? So I decided to run. During the entire process of making up my mind, the hardest person to convince was myself. It was Secretary General Lin who really convinced me to run. We know each other very well and have been spending time together every day recently. He has been in

electoral politics before, so he understands its secrets and mysteries. He convinced me, "We can do something!"

[Huang Kuang-chin] During the Chiang Ching-kuo era, you had a lot of clout and were called the "little sun" by some. Since Li Teng-hui assumed office, you have been regarded as his favorite. Some people attribute your meteoric rise in politics to that factor. Others even speculate that your decision to enter the campaign has much to do with behind-the-scenes backing from President Li Teng-hui. What do you make of this? Does President Li support your decision to run for governor?

[Sung Chu-yu] I don't deny that. I am grateful that both presidents trust me so much. The reason is quite simple; I work very hard and have carried out their basic policies loyally. Both men have been my direct bosses. During all that time since I returned to Taiwan, they have been very trustful of me. I, for my part, have tried my best to do a good job within my area of competence. It is a case of the boss having high regard for a subordinate who is an earnest worker. To use an English expression, "what's wrong with that?" Nothing improper about it, really. I have never said that the president wants me to run. If my candidacy runs counter to the basic national policy and every ideal having to do with democratization, I don't think I would be a candidate. To put it differently, my candidacy is in line with the direction in which the country is moving politically. Every serious person has the opportunity to run. Second, whether we are talking about a policy or an ethnic group, as long as it has the president's blessing and not opposition, I am all for it. I believe the president would not oppose my implementing a policy fundamental to the KMT: taking care of the masses. What is more, I don't think the masses would oppose it either.

Moreover, I never told the KMT's central party organization that so and so wanted me to run. I believe my associates never said such a thing either. It should be up to me to decide whether or not I was going to run.

[Huang Kuang-chin] You make "Taiwan's first popularly elected governor" the slogan of your campaign. What is the significance of this campaign for your political career? If you win the election, would it strengthen your claim to be a successor? How would a victory in the gubernatorial campaign affect your political future?

[Sung Chu-yu] Never for a moment have I looked at the gubernatorial campaign from a personal angle. A member of the Legislative Yuan said to me that for me there are two best courses of action. What are they? I need not say and you need not ask. If I were only thinking about myself, to be honest with you, I should not run for governor, not even serving as provincial party chairman. So what you were saying about power distribution, that is not part of my calculation. Philosophically speaking, the foremost significance of my gubernatorial bid is to let everybody realize that a person with no background, no money, no provincial credentials can make it in Taiwan. If Sung can win this election, then anybody with stronger credentials than I can

also make it in Taiwan. The major breakthrough is proving that democratic politics is meritocratic.

[Huang Kuang-chin] Would the provincial issue be a major handicap for you during the campaign? Do you think native Taiwanese would vote for you? What is your campaign strategy to deal with this issue?

[Sung Chu-yu] I neither intend to exploit the provincial issue nor consider it a handicap. Ordinary people that I have come across in the remotest parts of the province—the mountains and the coasts—and even advanced provincials who don't speak Mandarin will never consider me an outsider. I think we in Taiwan today have slowly risen above this psychological block. Even the opposition parties have said we all live in Taiwan, we are all Taiwanese. How can anybody now come out and talk about native Taiwanese versus people from outside the province just because an election is coming up? I am very surprised. Some people want to make a big fuss over the provincial issue. To me, their actions belie their words. They have always said that we love Taiwan, that anybody who works for Taiwan is a Taiwanese. How come provincial origins suddenly becomes an issue now? I am very surprised.

[Huang Kuang-chin] A few days ago Minister Wu Po-hsiung quit the gubernatorial race. We all know that earlier the two of you fought ferociously for the party's nomination. Now he has suddenly dropped out of the race and resigned from all official and party positions. What are the significance of his move for you? Does it have any negative impact? Also, he has questioned the party's primary nominating procedure, calling it unfair. Do you agree?

[Soong Chu-yu] I have never vied with Minister Wu for anything. On what occasion did I compete with him? At the beginning, I had lunch with the Wang brothers of Kao-hsiung and the media began talking about me jockeying for position. If I were jockeying for position, would I just lobby four Legislative Yuan members? Surely that did not do justice to the clout of someone like me, who is a former secretary general of the KMT. I began making serious contacts after my "not-declining-to-shoulder-responsibility" speech. Only within a month did you see me lunching with members of the Legislative Yuan or meeting with locals. So I have never tangled with him.

Mr. Wu Po-hsiung now has other plans. I send my special regards to him for his decision to quit the race. Certainly he must have his own considerations. To use a southern Fujianese expression, "Wu San Pu Cheng Li." The first time I visited him at home, my purpose was to thank the minister himself. The second time was to thank the minister's friends, including A Pen-ke [7093 2609 0766], and our own Yang Pao-gung [2799 1405 0361]. Actually these are all my old friends. Minister Wu himself told me on the phone that when I was secretary general, there was a plan to recruit Pen-jen to be deputy director of the kung hui. We are all good friends. All I can say is that Minister Wu and I have many common friends. Secretary General Lin Feng-cheng [2651 6023 2973] is also a good friend of Wu Po-hsiung's. Thus it would be extremely hard for our

friends if they have to choose between the two of us. Minister Wu Po-hsiung's withdrawal has made things easier for the party. Either he quits, or I quit. Things may not turn out the way we expect.

As for the complaint that the party's nominating procedure is unfair, well, what's fair? What's not fair? From beginning to end, I had no idea when the election was to be held. I heard that the date had been changed from 20 August to 14th. How come they did not even bother to ask this candidate? Who is eligible to vote? Did they ask me beforehand? The first time I had a chance to look at the primary election rules was at the party affairs group's review meeting, which was held before the meeting of the central standing committee. Otherwise I was kept in the dark from beginning to end. Originally it was said that public opinion polls would be considered. And every poll indicates that a certain Soong is leading. Later, however, the polls were excluded from consideration. Did I complain? What do you mean when you say the party is unfair? Let me ask a question, is the party fair to us? During the short period of time, I had to cover a large electoral district. Nobody ever asked whether or not it would intervene with my normal duties as provincial party chairman. I had to visit disaster-stricken areas. I had to do local work. I had to attend lots of meetings. I don't run for office for the sake of running for office. I have work to do... I don't complain. A student who is studying all the time is ready to take the exam any time.

[Huang Kuang-chin] There were rumors earlier in the political circles that you yourself said you are not interested in the governorship but are actually eyeing the presidency of the Executive Yuan and the vice presidency of the nation. If the opportunity presents itself, would you seize it?

[Soong Chu-yu] I have never said I want this or that position. My decision to run for governor marked the first time in my life when I decided to go after something. In the 2 decades before now, I never planned any move personally. Mr. Chiang Ching-kuo was very good to me. President Lee Teng-hui too takes care of me. Let me give you an example. Ma Ying-chiu [7456 5391 0046] is 10 years younger than I. I followed Mr. Chiang Ching-kuo for almost 10 years, serving as his English secretary in all that time. But Ma Ying-chiu became the party's deputy secretary general ahead of me. What kind of career planning is that? Are we supposed to conclude that Mr. Chiang Ching-kuo liked Ying-chiu better than he liked me?

[Huang Kuang-chin] It has been said that people groomed by the KMT are all flowers in the greenhouse. In contrast, DPP members are regarded as tough guys who can take on the world. If the governor has to compete on a one-on-one basis, how confident are you? What do you think are your most important strengths right now? And what are your weaknesses?

[Soong Chu-yu] I will show everybody whether or not the KMT is a greenhouse that only grows flowers. The KMT's provincial party chairman goes up to the mountains and

visits the sea-shore, shuffling back and forth between north and south. Does that sound like a flower in the greenhouse? What we are competing on is our work, our enthusiasm to serve the people, our diligence. That we'll use to prove that KMT candidates can absolutely stand up to any challenge. If public opinion polls are any guide, the masses have already cast a vote of confidence in the KMT's work attitude.

[Huang Kuang-chin] At a time when members of the middle generation are vying to establish themselves, some people inevitably find your preeminence an irritant. Hence the talk about the bad blood between Soong and Kuan. During the "political struggle" period, there were rumors of the two Soongs and one Su stepping down. We also heard that when Secretary General Hsu first assumed office, he had some complaints about the way you handled personnel matters. The decision by Wu Po-hsiung to quit the gubernatorial race will certainly do the two of you some damage. Mr. Chairman, besides going all out to win the race, what would you do in the days ahead to cultivate good will and make fewer enemies inside the party?

[Soong Chu-yu] What you have said is far from the truth. Let me cite a simple example. I am highly skeptical that Secretary General Hsu complained about the way I handled personnel matters. That day I asked him explicitly to figure out what happened when. When did I leave the central party headquarters? When did the chairman of the county party organization make the announcement? Did he ask my opinion before he made the announcement? We must be clear in our heads about what actually happened. There were many people there whom we did not even know. How can they say I drew up the list before I left? Yet some people just like making an issue of this in order to sow discord. I call it rubbish. The list of local party officials was decided upon 2 to 3 months after I left the central party headquarters. Previously they had consulted me about it back when Wang Shu-chin [3769 6615 0341] and I were directors of tsu kung hui. But I told Wang Shu-chin at the time that in view of my imminent departure, I would leave the decision up to Hsu after he became secretary general. They had certain rules but later decided to change the list. Did I say a word? People like Lin Chiang-shan [2651 3068 1472]... I have never even met them. You must figure out what happened when.

Has Never Failed or Met Any Setback

As for the suggestion that I decided what jobs should go to whom before I left the central party organization, they were there in place. I could not remove them just because I was leaving, as would be the case in a cabinet form of government. The central party organization does not have a cabinet system. The person in charge is the chairman and I was merely his chief of staff. These people were the chairman's appointees, not mine. I might have the power to make recommendations, but I had absolutely no authority to make them quit before my own departure. By the same token, every single director had been replaced within one year of my departure. Can I therefore claim that

the entire Soong faction was purged and booted out of office? We are talking about institutions here. We must respect the institutions. After I left the Information Bureau and central party organization, I no longer intervened in the affairs of these units. I have not attended a single Golden Horse Award ceremony. I have much respect for institutions.

[Huang Kuang-chin] Take a look back at the many years you have been in the political arena. You were first a "master of palace intrigues," then became the "general in charge of a defeated army," and then switched to provincial politics, enjoying rising political fortunes as provincial party chairman. All of that, some people say, is due to your vaulting ambition, your knack for posturing and manipulation. Could you do a little self-assessment and tell us what factors have made you a political survivor, enabling you to bounce back from defeat?

[Soong Chu-yu] What do you mean by "master of palace intrigues?" You consider Chiang Ching-kuo's residence a "palace?" Do you think Mr. Chiang Ching-kuo did not eat what ordinary mortals eat? That he did not understand the people's suffering, did not understand changes in society and the nation? That does not make sense. Do you think the same is true with his trusted followers? And do you think President Lee Teng-hui is a leader who does not eat what ordinary mortals eat or understand the weal and woe of the people? Why portray me as a "master of palace intrigues?" Why call me the "general of a defeated army?" Given another person, do you think he could have ensured the election of more people in a legislature of 161 seats? We won over 100 seats. You call that a "defeated army?" Moreover, was he the cause of the defeat? Or were there some other reasons? Can you recall me suggesting that you "find someone better qualified" at a meeting of the central standing committee? I told you way back it would get us into trouble. Do you think this person should be held responsible? What specifically did I do wrong for which I must be held accountable? Was there such a thing?

I have never failed. Nor have I encountered any real setback. Some things I have walked away from with a sense of responsibility. There are two things I firmly rejected. One took place after the presidential election. I did not say anything. Had I said something publicly and did not leave, it would be quite meaningless. People would say I was posturing. The other instance happened in Yangmingshan. People misheard me. I said I was going to describe things that have happened with a responsible attitude. I said, "If my words turn out to be untruthful, I would be willing to resign to show that I stand by my words." That is what I meant. I did not do anything wrong. Why should I resign?

HONG KONG, MACAO

Article Views PWC Performance, Prospects

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[FBIS Translated Text] It has been one year since the Preliminary Working Committee for the Hong Kong Special Administrative Region Preparatory Committee was

established. Before the breakdown in Sino-British negotiations on Hong Kong's political system, the role of the Preliminary Committee was unformed, uncertain, and flexible; after the breakdown the Committee's function became much more prominent. Every meeting of the Preliminary Committee became a focus of attention for journalists, and the Committee members themselves drew notice from all quarters. At the second full session of the Preliminary Committee, held at the end of last year, the Committee's work entered the stage of concrete activity as the subcommittees for political affairs, economics, law, culture, society, and security drafted their work plans. Time went by quickly, and in an eye-blink six months passed. How has the work of the Preliminary Committee developed? What is the status of the subcommittees' work plans? What major breakthroughs lie ahead for the Preliminary Committee? These are questions about which everyone is concerned.

Since the second full session of the Preliminary Committee at the close of last year, the subcommittees have all proceeded according to their various plans. The Political Affairs Subcommittee has met eight times, the Economics Subcommittee seven times, the subcommittees on law, society, and security five times each, and the Culture Subcommittee four times. In early May the Preliminary Committee's subcommittees on political affairs and economics went to Hong Kong to hold meetings, a move which enhanced the openness of China's policy toward Hong Kong, improved understanding of China's stance, and strengthened the Preliminary Committee's credibility and authority.

The seven items discussed in the eight meetings the Law Subcommittee held over those six months were: the composition of the first term of Legislative Council; the composition of the first terms of [local organizations]; the composition of the first term of the Government; executive-legislative relations; the stability of the government work staff and the continuity of the bureaucratic system; the departments of the Government; and the organs to be set up in the Hong Kong Special Administrative Region (SAR) by the regions, as well as the administrative bodies to be set up in Beijing by the SAR.

As for the formation of the first SAR Legislative Council, it is understood that Committee members are leaning toward support for direct elections by district through a system of proportional representation. Regarding the issues of dissolving the pre-1997 [District Boards] and the [City and New Territories Administrations], the Committee proposes that the Basic Law be followed in setting up the first SAR [local organizations], but that during the period of vacuum prior to this a flexible approach should be undertaken.

The Committee members are of the opinion that for the future executive-legislative relations in the SAR, the Executive should act as leader in the complementary relations between these two branches, believing that this will help in maintaining efficient executive operations.

The primary topics of discussion in the seven meetings held this year of the Economics Subcommittee were: bringing Hong Kong's large-scale construction and contracting into 1997; coordinating large-scale basic construction between Hong Kong and China; real estate policies; and monetary and financial matters. As most of the members of the Economics Subcommittee are drawn from Hong Kong's business community, some conflicts of interest naturally emerged during the discussions. But because the Preliminary Committee had taken such problems into consideration from the outset, the subcommittee members are obliged to be forthcoming about their particular involvements.

Considering that the agreements and treaties Hong Kong has signed in the past with some nations and regions have to be extended as much as possible, and that economic relations between Hong Kong and China are growing progressively closer, it is necessary to clarify the path of future development. In early June at its seventh meeting, the Economics Subcommittee decided to add to itself a foreign economic relations research group, the Post-1997 Hong Kong-China Economics and Trade Relations Research Group.

The Law Subcommittee in the four meetings it has held this year reviewed a total of 108 items in current Hong Kong law covering the following seven areas: litigation procedures; administration and enforcement; criminal law; public security; home affairs; land and real estate; and buildings and construction. Subcommittee members voiced opinions on where these laws conflicted with Hong Kong's Basic Law, and located various problems that must be resolved if Hong Kong's original laws are to be adopted for the Hong Kong SAR. According to the subcommittee members, except for a few cases the 108 items of current Hong Kong law they reviewed can for the most part be retained; as for handling the conflicts between these laws and the Basic Law, the subcommittee will continue its investigations.

According to the discussion in the subcommittee, the Hong Kong government's 1992 revision of the article on organizations—which removed regulations prohibiting local Hong Kong organizations from establishing ties with foreign political organizations and eliminated the ban on foreign organizations of a political nature from setting up associations in Hong Kong—changed the original organization registration system into a notification system, thus weakening government management of organizations' powers. This conflicts with the Basic Law and violates the principle whereby the original laws would remain essentially unaltered. The subcommittee therefore believes that the revised regulations cannot be adopted for the Hong Kong SAR, and recommends adoption of the unrevised law.

In its three meetings held so far this year the Culture Subcommittee discussed in depth the introduction of the Hong Kong Basic Law and the issue of textbooks. The subcommittee contacted many individuals and organizations from various circles in Hong Kong, listened to the

opinions offered, and drafted the "Program for Improved Dissemination and Popularization of the Basic Law in Hong Kong." The Hong Kong members of the subcommittee and the leader of the Joint Conference on Introducing the Basic Law held a meeting. In addition, in the subcommittee they discussed the Joint Conference and the Joint Committee on Education's request for funding to launch Basic Law dissemination and popularization activities, suggesting that funding be provided. Sources reveal that the amount of funding will be 20 million Hong Kong dollars. Regarding the presence of problems in Hong Kong's current textbooks and factors relating to the arrival of 1997, the Culture Subcommittee has consulted with Hong Kong's publishers, educational organizations, and education experts, and has reviewed Hong Kong's lower and middle school curriculum guides and programs, examining different editions of textbooks. In the subcommittee meeting held in mid-June of this year, members suggested that after 1997 any textbook contents that violate the Basic Law or which are overtly colonial in nature must be revised before being put to use. In their four meetings so far this year, the subcommittees on society and security discussed five issues, including freedom of entry and exit, permanent residence, retirement guarantees, SAR passports, and the granting of permanent residence status to returning emigrants. Early this year the Hong Kong Joint Committee on Housing stated the hope that the Preliminary Committee would set up a housing research subcommittee. The subcommittees on society and security have taken this suggestion into consideration to establish such a subcommittee to study Hong Kong's current housing policy and to offer recommendations in the future to the Preparatory Committee and the SAR Government.

On the topic of retirement guarantees the subcommittee members proposed five principles: that the establishment of a retirement guarantee system must benefit Hong Kong's prosperity and stability; that beneficiaries of retirement guarantees be limited to employed persons; that all employed persons have to take part in the retirement guarantee program; that establishment of a retirement guarantee system should build on and perfect the current system; and that the government will be responsible for supervising any private retirement programs.

The subcommittee members reviewed, discussed, and made positive recommendations on the design and issue of future SAR passports as well as on the mutual exemption of visas with other nations and regions.

Overall, the above-mentioned work of the Preliminary Committee quite nearly covers every aspect of operation in government structure. Of course, in accordance with the declaration made when the Preliminary Committee was first set up, it only proposes opinions and suggestions for the 1996 establishment of the SAR Preparatory Committee and the future SAR Government. In legal terms, the

Preliminary Committee cannot overstep its defined functions by handling governmental matters in the SAR.

The work of the Preliminary Committee in the year since it was established has received the nod of approval from high-level Chinese Communists. On May 26 National People's Congress (NPC) member Qiao Shi indicated in a notice issued to new supplementary members appointed to the Preliminary Committee that since its establishment last year in July, the Committee has done its work earnestly and conscientiously, earning for itself broad-based attention and positive assessments. Speaking for the NPC Standing Committee, he expressed sincere gratitude to the Preliminary Committee head, to Lu Ping and other assistant directors, and to all Committee members.

In the troubled cooperative relations between China and Great Britain since the breakdown in the Sino-British negotiations, the Preliminary Committee has come into its own on the center stage of history, drawing up blueprints for the future in a volatile circumstances and under the attentive eye of the Chinese Communist leadership. In this year's Second Plenary Session of the Eighth NPC, Li Peng in the Government Working Report placed high expectations on the Preliminary Committee, stating that with its "difficult task and a great responsibility, [one] hopes the Committee will unite Hong Kong compatriots on as broad a base as possible, and that it will not disappoint the expectations and great trust of the people of China in the preparatory work for the establishment of the Hong Kong Special Administrative Region and the first sessions of its government and legislative organs." Devotion of this amount of attention in the Government Working Report to a body performing substantive work is an event very rarely seen over the years. In addition, top-level Chinese Communist leadership turned up in force for the first and second full sessions of the Preliminary Committee, for the Committee's Lantern Festival Dinner Party, and for the issuing of the appointment notice for new supplementary Committee members. All signs indicate that the Chinese Communist leadership is relying heavily on the Committee. Since its establishment, the Committee has received strong support from concerned quarters in terms of its personnel, expenses, and working conditions. However, the work of the Preliminary Committee is far from trouble free. Due to a profusion of complexities and a variety of unexpected concerns, the work of the Committee is quite demanding. Some Committee members are getting on in years, the amount of work is excessive, aides are swamped with detailed work, and the Committee Secretariat is overloaded with tasks. The Committee must still resolve many urgent problems concerning public relations, research orientation, improved openness, foresight, public acceptance, and the procurement of understanding and support from a wider base of people.

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